

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 37

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

File No. * SR 2023 - * 34

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

Exhibit 3 Sent As Paper Document

Description

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

Amend Phlx All-or-None Order

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name *	Angela	Last Name *	Dunn
Title *	Principal Associate General Counsel		
E-mail *	Angela.Dunn@Nasdaq.com		
Telephone *	(215) 496-5692	Fax	

Signature

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

Date	08/03/2023	(Title *)
By	John Zecca (Name *)	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: 2023.08.03
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Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

Add Remove View

SR-Phlx-2023-34 19b-4.docx

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

SR-Phlx-2023-34 Exhibit 1.docx

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

Add Remove View

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

Add Remove View

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

SR-Phlx-2023-34 Exhibit 5.docx

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

Partial Amendment

Add Remove View

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

1. Text of the Proposed Rule Change

(a) Nasdaq Phlx LLC (“Phlx” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend its Rules at Options 3, Options Trading Rules, at: 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 12, Electronic Qualified Contingent Cross Order; Section 13, Price Improvement XL (“PIXL”); Section 14, Complex Orders; Section 23, Data Feeds and Trade Information; Options 5, Section 4, Order Routing; and Options 7, Section 3, Rebates and Fees for Adding and Removing Liquidity in SPY. The Exchange also proposes to amend its Rules at Options 8, Floor Trading, at: Section 30, Crossing, Facilitation and Solicited Orders; and Section 32, Types of Floor-Based (Non-System) Orders.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

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

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

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 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 12, Electronic Qualified Contingent Cross Order; Section 13, Price Improvement XL (“PIXL”); Section 14, Complex Orders; Section 23, Data Feeds and Trade Information; Option5, Section 4, Order Routing; and Options 7, Section 3, Rebates and Fees for Adding and Removing Liquidity in SPY. The Exchange also proposes to amend its Rules at Options 8, Floor Trading, at: Section 30, Crossing, Facilitation and Solicited Orders; and Section 32, Types of Floor-Based (Non-System) Orders.

Background

Today, Phlx’s All-or-None Orders are described in Options 7, Section 7(b)(5) as Limit Orders or Market Orders that are executed in their entirety or not at all. All-or-None Orders may only be submitted by a Public Customer.³ Phlx’s All-or-None Orders

³ The term “Public Customer” means a person or entity that is not a broker or dealer in securities and is not a Professional as defined within Options 1, Section (b)(45). See Options 1, Section 1(b)(46).

rest on the order book as non-displayed orders. The Exchange does not disseminate bids or offers of All-or-None Orders to the Options Price Reporting Authority or “OPRA” and Top of PHLX Options⁴ feed, however All-or-None Orders are displayed in the PHLX Orders⁵ and PHLX Depth of Book⁶ feed. Further, All-or-None Orders are executed in price-time priority among all Public Customer orders if the size contingency can be met. If an All-or-None Order contingency cannot be met, the All-or-None Order would be bypassed until such time as the contingency could be met.⁷

Proposal

At this time, the Exchange proposes to amend All-or-None Orders so that they

⁴ Top of PHLX Options (“TOPO”) is a direct data feed product that includes the Exchange's best bid and offer price, with aggregate size, based on displayable order and quoting interest on Phlx and last sale information for trades executed on Phlx. The data contained in the TOPO data feed is identical to the data simultaneously sent to the processor for the OPRA and subscribers of the data feed. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only. See Options 3, Section 23(a)(1).

⁵ PHLX Orders is a real-time full Limit Order book data feed that provides pricing information for orders on the PHLX Order book for displayed order types and All-or-None Orders, as well as market participant capacity. PHLX Orders is currently provided as part of the TOPO Plus Orders data product. PHLX Orders provides real-time information to enable users to keep track of the single and complex order book(s). The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, leg information on complex strategies and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only. The feed also provides auction and exposure notifications and order imbalances on opening/reopening (size of matched contracts and size of the imbalance). See Options 3, Section 23(a)(2).

⁶ PHLX Depth of Market is a data product that provides: (i) order and quotation information for individual quotes and orders on the order book; (ii) last sale information for trades executed on Phlx; (iii) auction; and (iv) an Imbalance Message which includes the symbol, side of the market, size of matched contracts, size of the imbalance, and price of the affected series. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only. The feed also provides order imbalances on opening/reopening (size of matched contracts and size of the imbalance) and exposure notifications, with market participant capacity. See Options 3, Section 23(a)(2).

⁷ Also of note, All-or-None Orders are non-routable and the Acceptable Trade Range protection in Options 3, Section 15(a) is not applied to All-Or-None Orders. See Options 7, Section 7(b)(5).

may only be submitted by a Public Customer as an Immediate-or-Cancel Order. With this proposed change, All-or-None Orders would no longer rest on the order book. Upon entry, an All-or-None Order would be executed in its entirety or it will cancel if it cannot execute. Other options markets require All-or-None Orders to be Immediate-or-Cancel such as Nasdaq GEMX, LLC.⁸

The Exchange proposes to amend the order type description in Options 3, Section 7(b)(5) to state, “An All-or-None Order is a Limit Order or Market Order that is to be executed in its entirety or not at all. An All-or None Order may only be submitted by a Public Customer as an Immediate-or-Cancel Order.” As is the case today, the Acceptable Trade Range protection in Options 3, Section 15(a) is not applied to All-Or-None Orders. Further, the All-or-None Order type in Options 8, Section 32(b)(3) may only be submitted by a Public Customer. The Exchange proposes to add a new sentence in Options 8, Section 32(b)(3) that would state, “Further, pursuant to Options 8, Section 39, A-3, an All-or-None Order has no standing respecting executions in the trading crowd except with respect to other All-or-None Orders. When represented in the trading crowd, All-or-None Orders are not included as part of the bid or offer.” The Exchange believes the new sentence, which references existing language in Options 8, Section 39, A-3, will bring greater clarity to the All-or-None Order type description.

The Exchange proposes to also remove rule text about All-or-None Orders as a

⁸ See Nasdaq GEMX, LLC (“GEMX”) Options 3, Section 7(c). See Securities Exchange Act Release No. 80102 (February 24, 2017), 82 FR 12381 (March 2, 2017) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to All-or-None Orders). See also GEMX, Nasdaq MRX, LLC (“MRX”), and Nasdaq ISE, LLC (“ISE”) Options 3, Section 7(c), The Nasdaq Options Market LLC (“NOM”) Options 3, Section 7(a)(8) and Nasdaq BX, Inc. (“BX”) Options 3, Section 7(a)(7). GEMX, MRX, ISE, NOM and BX have All-or-None Orders that are Immediate-or-Cancel.

Non-Displayed Contingency Order in Options 3, Section 7(b)(5)(i). The Exchange proposes to add a new Options 3, Section 7(b)(4)(C) that states, “A Stop Order is a non-displayed, contingency order until elected,” in order to preserve the current rule text related to Stop Orders at Options 3, Section 7(b)(5)(i).

As a result of the proposed amendment to the All-or-None Order type, Phlx proposes to remove rule text regarding All-or-None Orders in various other rules. Since All-or-None Orders will not rest on the order book, it is not considered for purposes of Legging Orders and therefore the rule text within Options 3, Section 7(b)(10)(2) and (4) related to All-or-None Orders is being removed. Additionally, the Exchange proposes a technical amendment to re-letter Options 3, Section 7(b)(1) (1)-(4) as (A)- (D).

Since All-or-None Orders will not rest on the order book as proposed, those orders would be treated the same as all other Immediate-or-Cancel Orders in the Opening Process and, therefore, do not need to be separately described in Options 3, Section 8. The Exchange proposes to remove specific references to All-or-None Orders in Options 3, Section 8(b), (h) and (k)(C)(6).

All-or-None Orders do not need to be excluded from the internal PBBO in Options 3, Section 10, which describes the Exchange’s allocation process, because All-or-None Orders will not rest on the order book with this proposed amendment. The Exchange proposes to remove the language concerning All-or-None Orders from Options 3, Section 10(a)(1)(B), (C), and (D)(i) and (ii).

As proposed, Public Customers All-or None Orders, similar to all other Public Customer Orders which are Immediate-or-Cancel Orders, will not be considered for purposes of checking the order book prior to executing a Qualified Contingent Cross

Order since they will not rest on the order book. Therefore, the Exchange proposes to remove the language within Supplementary Material .01 to Options 3, Section 12 and Options 8, Section 30 concerning All-or-None Orders.

As proposed, All-or None Orders will not be considered when checking the order book to start a PIXL Auction or to allocate the PIXL Order at the end of the PIXL Auction because All-or-None Orders will not rest on the order book. Therefore, the Exchange proposes to remove the language within Options 3, Section 13(a)(2) and (f) related to All-or-None Orders on the order book.

As amended, All-or-None Orders will be treated in the same manner as other Immediate-or-Cancel Orders with respect to a Complex Opening Process and a Complex Order Live Auction. Also, All-or-None Orders will not rest on the order book and are not considered for purposes of legging into the simple order book. Therefore, the Exchange is removing language concerning All-or-None Orders within Options 3, Section 14(d)(ii)(C), (e)(vi)(A)(1), (e)(viii)(C)(3), and (f)(iii)(A) because All-or-None Orders do not need to be treated differently.

For purposes of the PHLX Orders feed, All-or-None Orders will be treated the same as all other Immediate-or-Cancel Orders and not displayed on the PHLX Orders feed. Options 3, Section 23(a)(2) is being amended to remove All-or-None Orders from the feed description.

Since All-or-None Orders will not rest on the order book the Exchange proposes to amend Options 5, Section 4(a), 4(a)(iii)(C)(3), (5), (7) and (9), concerning Routing, to remove references to the exclusion of All-or-None Orders from the PBBO and their partial exclusion from the internal PBBO.

The Exchange proposes to remove the following pricing from Options 7, Section 3, Rebates and Fees for Adding and Removing Liquidity in SPY, “The Cancellation Fee for each cancelled electronically delivered Professional⁹ AON order will continue to apply to the SPY. The Cancellation Fee will not apply for each cancelled electronically delivered Customer order in SPY.” Today, only Public Customers may submit All-or-None Orders.¹⁰ In 2019, Phlx amended its All-or-None Order type to offer it only to Public Customers and no longer offer the order type to Professionals.¹¹ This pricing should have been removed in 2019, as Professionals could no longer enter All-or-None Orders after the 2019 amendment.

Implementation

The Exchange proposes to implement this rule proposal before January 31, 2024. The Exchange will announce the implementation date in an Options Trader Alert to provide notice to members and member organizations.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹² in general, and furthers the objectives of Section 6(b)(5) of the Act,¹³ 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

⁹ The term “Professional” means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). Member organizations must indicate whether orders are for Professionals. See Options 1, Section 1(b)(45).

¹⁰ See Options 3, Section 7(b)(5).

¹¹ See Securities Exchange Act Release No. 85262 (March 7, 2019), 84 FR 9192 (March 13, 2019) (SR-Phlx-2019-03).

¹² 15 U.S.C. 78f(b).

¹³ 15 U.S.C. 78f(b)(5).

market system, and, in general to protect investors and the public interest.

The Exchange believes that the proposal is appropriate and reasonable, because the time-in-force designation of Immediate-Or-Cancel will offer members and member organizations certainty with respect to their order handling. Today, All-or-None Orders are executed in price-time priority among all Public Customer orders if the size contingency can be met, but otherwise have no priority on the order book. With this proposal, an All-Or-None Order will either execute immediately or be cancelled back to the member or member organization. This proposal would remove uncertainty with respect to the manner in which these orders would be handled in the order book by cancelling back an All-Or-None Order if it cannot be immediately executed in its entirety. This proposal would harmonize Phlx's All-or-None Order type across its various options markets.¹⁴

The Exchange notes that members and member organizations are aware of this proposed change.¹⁵

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed rule change will impact the intense competition that exists in the options market. With this change, no market

¹⁴ See GEMX, MRX, ISE Options 3, Section 7(c), NOM Options 3, Section 7(a)(8) and BX Options 3, Section 7(a)(7). GEMX, MRX, ISE, NOM and BX have All-or-None Orders that are Immediate-or-Cancel.

¹⁵ See Options Trader Alert 2023-17. The Exchange has not received any feedback from members or member organizations regarding the change to the All-or-None Order as a result of the Options Trader Alert. Further, the Exchange reached out to member organizations about the All-or-None change and, based on those conversations, the Exchange does not believe that member organizations have any concerns with the proposed change.

participant would be able to submit an All-Or-None Order without a time-in-force designation of Immediate-Or-Cancel. The Exchange believes the All-Or-None Order type, as proposed, will continue to offer members and member organizations a competitive alternative for submitting orders for execution. Furthermore, the proposed rule changes align the Exchange's System functionality across the Nasdaq affiliated options exchanges that have all-or-none order types.¹⁶

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)¹⁷ of the Act and Rule 19b-4(f)(6) thereunder¹⁸ in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

As described in Items 3 and 4 above, the proposed rule change does not significantly affect the protection of investors or the public interest because the time-in-

¹⁶ See supra note 14.

¹⁷ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁸ 17 CFR 240.19b-4(f)(6).

force designation of Immediate-Or-Cancel will offer members and member organizations certainty with respect to their order handling. With this proposal, an All-Or-None Order will either execute immediately or be cancelled back to the member or member organization. This proposal would remove uncertainty with respect to the manner in which these orders would be handled in the order book by cancelling back an All-Or-None Order if it cannot be immediately executed in its entirety. Further, the proposal aligns Phlx's All-or-None Order across the Nasdaq affiliated options exchanges.¹⁹

The proposal does not impose any significant burden on competition as no market participant would be able to submit an All-Or-None Order without a time-in-force designation of Immediate-Or-Cancel. The All-Or-None Order type, as proposed, will continue to offer members and member organizations a competitive alternative for submitting orders for execution.

Furthermore, Rule 19b-4(f)(6)(iii)²⁰ 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

¹⁹ See supra note 14.

²⁰ 17 CFR 240.19b-4(f)(6)(iii).

Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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

The proposal is similar to GEMX, MRX, ISE Options 3, Section 7(c), NOM Options 3, Section 7(a)(8) and BX Options 3, Section 7(a)(7). GEMX, MRX, ISE, NOM and BX have All-or-None Orders that are Immediate-or-Cancel.

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-2023-34)

August __, 2023

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Phlx's All-or-None Order

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 August 3, 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 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 12, Electronic Qualified Contingent Cross Order; Section 13, Price Improvement XL ("PIXL"); Section 14, Complex Orders; Section 23, Data Feeds and Trade Information; Options 5, Section 4, Order Routing; and Options 7, Section 3, Rebates and Fees for Adding and Removing Liquidity in SPY. The Exchange also proposes to amend its Rules at Options 8, Floor Trading, at: Section 30, Crossing, Facilitation and Solicited Orders; and Section 32, Types of Floor-Based (Non-System) Orders.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

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

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

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

1. Purpose

Phlx proposes to amend Options 3, Options Trading Rules, at: 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 12, Electronic Qualified Contingent Cross Order; Section 13, Price Improvement XL ("PIXL"); Section 14, Complex Orders; Section 23, Data Feeds and Trade Information; Option5, Section 4, Order Routing; and Options 7, Section 3, Rebates and Fees for Adding and Removing Liquidity in SPY. The Exchange also proposes to amend its Rules at Options 8, Floor Trading, at: Section 30, Crossing, Facilitation and Solicited Orders; and Section 32, Types of Floor-Based (Non-System) Orders.

Background

Today, Phlx's All-or-None Orders are described in Options 7, Section 7(b)(5) as Limit Orders or Market Orders that are executed in their entirety or not at all. All-or

None Orders may only be submitted by a Public Customer.³ Phlx's All-or-None Orders rest on the order book as non-displayed orders. The Exchange does not disseminate bids or offers of All-or-None Orders to the Options Price Reporting Authority or "OPRA" and Top of PHLX Options⁴ feed, however All-or-None Orders are displayed in the PHLX Orders⁵ and PHLX Depth of Book⁶ feed. Further, All-or-None Orders are executed in price-time priority among all Public Customer orders if the size contingency can be met. If an All-or-None Order contingency cannot be met, the All-or-None Order would be bypassed until such time as the contingency could be met.⁷

³ The term "Public Customer" means a person or entity that is not a broker or dealer in securities and is not a Professional as defined within Options 1, Section (b)(45). See Options 1, Section 1(b)(46).

⁴ Top of PHLX Options ("TOPO") is a direct data feed product that includes the Exchange's best bid and offer price, with aggregate size, based on displayable order and quoting interest on Phlx and last sale information for trades executed on Phlx. The data contained in the TOPO data feed is identical to the data simultaneously sent to the processor for the OPRA and subscribers of the data feed. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only. See Options 3, Section 23(a)(1).

⁵ PHLX Orders is a real-time full Limit Order book data feed that provides pricing information for orders on the PHLX Order book for displayed order types and All-or-None Orders, as well as market participant capacity. PHLX Orders is currently provided as part of the TOPO Plus Orders data product. PHLX Orders provides real-time information to enable users to keep track of the single and complex order book(s). The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, leg information on complex strategies and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only. The feed also provides auction and exposure notifications and order imbalances on opening/reopening (size of matched contracts and size of the imbalance). See Options 3, Section 23(a)(2).

⁶ PHLX Depth of Market is a data product that provides: (i) order and quotation information for individual quotes and orders on the order book; (ii) last sale information for trades executed on Phlx; (iii) auction; and (iv) an Imbalance Message which includes the symbol, side of the market, size of matched contracts, size of the imbalance, and price of the affected series. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only. The feed also provides order imbalances on opening/reopening (size of matched contracts and size of the imbalance) and exposure notifications, with market participant capacity. See Options 3, Section 23(a)(2).

⁷ Also of note, All-or-None Orders are non-rutable and the Acceptable Trade Range protection in Options 3, Section 15(a) is not applied to All-Or-None Orders. See Options 7, Section 7(b)(5).

Proposal

At this time, the Exchange proposes to amend All-or-None Orders so that they may only be submitted by a Public Customer as an Immediate-or-Cancel Order. With this proposed change, All-or-None Orders would no longer rest on the order book. Upon entry, an All-or-None Order would be executed in its entirety or it will cancel if it cannot execute. Other options markets require All-or-None Orders to be Immediate-or-Cancel such as Nasdaq GEMX, LLC.⁸

The Exchange proposes to amend the order type description in Options 3, Section 7(b)(5) to state, “An All-or-None Order is a Limit Order or Market Order that is to be executed in its entirety or not at all. An All-or None Order may only be submitted by a Public Customer as an Immediate-or-Cancel Order.” As is the case today, the Acceptable Trade Range protection in Options 3, Section 15(a) is not applied to All-Or-None Orders. Further, the All-or-None Order type in Options 8, Section 32(b)(3) may only be submitted by a Public Customer. The Exchange proposes to add a new sentence in Options 8, Section 32(b)(3) that would state, “Further, pursuant to Options 8, Section 39, A-3, an All-or-None Order has no standing respecting executions in the trading crowd except with respect to other All-or-None Orders. When represented in the trading crowd, All-or-None Orders are not included as part of the bid or offer.” The Exchange believes the new sentence, which references existing language in Options 8, Section 39, A-3, will

⁸ See Nasdaq GEMX, LLC (“GEMX”) Options 3, Section 7(c). See Securities Exchange Act Release No. 80102 (February 24, 2017), 82 FR 12381 (March 2, 2017) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to All-or-None Orders). See also GEMX, Nasdaq MRX, LLC (“MRX”), and Nasdaq ISE, LLC (“ISE”) Options 3, Section 7(c), The Nasdaq Options Market LLC (“NOM”) Options 3, Section 7(a)(8) and Nasdaq BX, Inc. (“BX”) Options 3, Section 7(a)(7). GEMX, MRX, ISE, NOM and BX have All-or-None Orders that are Immediate-or-Cancel.

bring greater clarity to the All-or-None Order type description.

The Exchange proposes to also remove rule text about All-or-None Orders as a Non-Displayed Contingency Order in Options 3, Section 7(b)(5)(i). The Exchange proposes to add a new Options 3, Section 7(b)(4)(C) that states, “A Stop Order is a non-displayed, contingency order until elected,” in order to preserve the current rule text related to Stop Orders at Options 3, Section 7(b)(5)(i).

As a result of the proposed amendment to the All-or-None Order type, Phlx proposes to remove rule text regarding All-or-None Orders in various other rules. Since All-or-None Orders will not rest on the order book, it is not considered for purposes of Legging Orders and therefore the rule text within Options 3, Section 7(b)(10)(2) and (4) related to All-or-None Orders is being removed. Additionally, the Exchange proposes a technical amendment to re-letter Options 3, Section 7(b)(1) (1)-(4) as (A)- (D).

Since All-or-None Orders will not rest on the order book as proposed, those orders would be treated the same as all other Immediate-or-Cancel Orders in the Opening Process and, therefore, do not need to be separately described in Options 3, Section 8. The Exchange proposes to remove specific references to All-or-None Orders in Options 3, Section 8(b), (h) and (k)(C)(6).

All-or-None Orders do not need to be excluded from the internal PBBO in Options 3, Section 10, which describes the Exchange’s allocation process, because All-or-None Orders will not rest on the order book with this proposed amendment. The Exchange proposes to remove the language concerning All-or-None Orders from Options 3, Section 10(a)(1)(B), (C), and (D)(i) and (ii).

As proposed, Public Customers All-or None Orders, similar to all other Public

Customer Orders which are Immediate-or-Cancel Orders, will not be considered for purposes of checking the order book prior to executing a Qualified Contingent Cross Order since they will not rest on the order book. Therefore, the Exchange proposes to remove the language within Supplementary Material .01 to Options 3, Section 12 and Options 8, Section 30 concerning All-or-None Orders.

As proposed, All-or None Orders will not be considered when checking the order book to start a PIXL Auction or to allocate the PIXL Order at the end of the PIXL Auction because All-or-None Orders will not rest on the order book. Therefore, the Exchange proposes to remove the language within Options 3, Section 13(a)(2) and (f) related to All-or-None Orders on the order book.

As amended, All-or-None Orders will be treated in the same manner as other Immediate-or-Cancel Orders with respect to a Complex Opening Process and a Complex Order Live Auction. Also, All-or-None Orders will not rest on the order book and are not considered for purposes of legging into the simple order book. Therefore, the Exchange is removing language concerning All-or-None Orders within Options 3, Section 14(d)(ii)(C), (e)(vi)(A)(1), (e)(viii)(C)(3), and (f)(iii)(A) because All-or-None Orders do not need to be treated differently.

For purposes of the PHLX Orders feed, All-or-None Orders will be treated the same as all other Immediate-or-Cancel Orders and not displayed on the PHLX Orders feed. Options 3, Section 23(a)(2) is being amended to remove All-or-None Orders from the feed description.

Since All-or-None Orders will not rest on the order book the Exchange proposes to amend Options 5, Section 4(a), 4(a)(iii)(C)(3), (5), (7) and (9), concerning Routing, to

remove references to the exclusion of All-or-None Orders from the PBBO and their partial exclusion from the internal PBBO.

The Exchange proposes to remove the following pricing from Options 7, Section 3, Rebates and Fees for Adding and Removing Liquidity in SPY, “The Cancellation Fee for each cancelled electronically delivered Professional⁹ AON order will continue to apply to the SPY. The Cancellation Fee will not apply for each cancelled electronically delivered Customer order in SPY.” Today, only Public Customers may submit All-or-None Orders.¹⁰ In 2019, Phlx amended its All-or-None Order type to offer it only to Public Customers and no longer offer the order type to Professionals.¹¹ This pricing should have been removed in 2019, as Professionals could no longer enter All-or-None Orders after the 2019 amendment.

Implementation

The Exchange proposes to implement this rule proposal before January 31, 2024. The Exchange will announce the implementation date in an Options Trader Alert to provide notice to members and member organizations.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹² in general, and furthers the objectives of Section 6(b)(5) of the Act,¹³ in particular,

⁹ The term “Professional” means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). Member organizations must indicate whether orders are for Professionals. See Options 1, Section 1(b)(45).

¹⁰ See Options 3, Section 7(b)(5).

¹¹ See Securities Exchange Act Release No. 85262 (March 7, 2019), 84 FR 9192 (March 13, 2019) (SR-Phlx-2019-03).

¹² 15 U.S.C. 78f(b).

¹³ 15 U.S.C. 78f(b)(5).

in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

The Exchange believes that the proposal is appropriate and reasonable, because the time-in-force designation of Immediate-Or-Cancel will offer members and member organizations certainty with respect to their order handling. Today, All-or-None Orders are executed in price-time priority among all Public Customer orders if the size contingency can be met, but otherwise have no priority on the order book. With this proposal, an All-Or-None Order will either execute immediately or be cancelled back to the member or member organization. This proposal would remove uncertainty with respect to the manner in which these orders would be handled in the order book by cancelling back an All-Or-None Order if it cannot be immediately executed in its entirety. This proposal would harmonize Phlx's All-or-None Order type across its various options markets.¹⁴

The Exchange notes that members and member organizations are aware of this proposed change.¹⁵

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

¹⁴ See GEMX, MRX, ISE Options 3, Section 7(c), NOM Options 3, Section 7(a)(8) and BX Options 3, Section 7(a)(7). GEMX, MRX, ISE, NOM and BX have All-or-None Orders that are Immediate-or-Cancel.

¹⁵ See Options Trader Alert 2023-17. The Exchange has not received any feedback from members or member organizations regarding the change to the All-or-None Order as a result of the Options Trader Alert. Further, the Exchange reached out to member organizations about the All-or-None change and, based on those conversations, the Exchange does not believe that member organizations have any concerns with the proposed change.

Act. The Exchange does not believe that the proposed rule change will impact the intense competition that exists in the options market. With this change, no market participant would be able to submit an All-Or-None Order without a time-in-force designation of Immediate-Or-Cancel. The Exchange believes the All-Or-None Order type, as proposed, will continue to offer members and member organizations a competitive alternative for submitting orders for execution. Furthermore, the proposed rule changes align the Exchange's System functionality across the Nasdaq affiliated options exchanges that have all-or-none order types.¹⁶

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 Act¹⁷ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁸

¹⁶ See supra note 14.

¹⁷ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁸ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-Phlx-2023-34 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-2023-34. 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-2023-34 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.¹⁹

Sherry R. Haywood,
Assistant Secretary.

¹⁹ 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 7. Types of Orders and Order and Quote Protocols

* * * * *

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

* * * * *

(4) **Stop Order.** A Stop Order is a Limit Order or Market Order to buy or sell at a limit price when interest on the Exchange for a particular option contract reaches a specified price. A Stop Order shall be cancelled if it is immediately electable upon receipt. A Stop Order shall not be elected by a trade that is reported late or out of sequence or by a Complex Order trading with another Complex Order. Lead Market Makers and Maker Makers may not submit a Stop Order. Off-Floor Broker-Dealers may not enter a Stop Market Order.

* * * * *

(C) A Stop Order is a non-displayed, contingency order until elected.

(5) **All-or-None Order.** An All-or-None Order is a Limit Order or Market Order that is to be executed in its entirety or not at all. An All-or-None Order may only be submitted by a Public Customer as an Immediate-or-Cancel Order. [All-or-None Orders are non-routable. The Exchange does not disseminate bids or offers of All-or-None Orders to OPRA and Top of PHLX Options feed however All-or-None Orders are displayed in the PHLX Orders and PHLX Depth of Book feed. All-or-None Orders are executed in price-time priority among all Public Customer orders if the size contingency can be met. If an All-or-None Order contingency cannot be met, the All-or-None Order would be bypassed until such time as the contingency could be met.] The Acceptable Trade Range protection in Options 3, Section 15(a) is not applied to All-Or-None Orders.

[(i) Non-Displayed Contingency Orders. A Non-Displayed Contingency Order shall be defined to include the following non-displayed order types: (1) Stop Orders; and (2) All-or-None Orders].

* * * * *

(10) **Legging Order.** 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) 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]B) 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 (v[i]) 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]C) 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]D) 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 (xi[i]) 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

* * * * *

(b) Eligible interest during the Opening Process includes Valid Width Quotes, Opening Sweeps and orders. Quotes, other than Valid Width Quotes, will not be included in the Opening Process. Non-SQT Market Makers may submit orders. [All-or-None interest is considered for execution and in determining the Opening Price throughout the Opening Process.]

* * * * *

(h) **Potential Opening Price.** The Potential Opening Price indicates a price where the System may open once all other Opening Process criteria is met. To calculate the Potential Opening Price, the System will take into consideration all Valid Width Quotes and orders (including Opening Sweeps[and All-or-None interest]) for the option series and identify the price at which the maximum number of contracts can trade (“maximum quantity criterion”). In addition, paragraphs (i)(A)(iii) and (j)(5) - (7) below contain additional provisions related to Potential Opening Price.

* * * * *

(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.

* * * * *

(C) Next, provided the option series has not opened pursuant to (k)(B) above, the System will:

* * * * *

(6) The System will execute orders at the Opening Price that have contingencies [(such as, without limitation, all-or-none)]and non-routable orders, such as a "Do Not Route" or "DNR" Orders, to the extent possible. The System will only route non-contingency Public Customer and Professional orders.

* * * * *

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.

* * * * *

(B) Enhanced Lead Market Maker Priority: A Lead Market Maker may be assigned by the Exchange in each option class in accordance with Options 2, Section 12. After all Public Customer orders have been fully executed, provided the Lead Market Maker's quote is at the better of the internal PBBO[, excluding All-or-None Orders that cannot be satisfied,] or the NBBO the Lead Market Maker may be afforded a participation entitlement. The Lead Market Maker shall not be entitled to receive a number of contracts that is greater than the displayed size associated with such Lead Market Maker. The Lead Market Maker shall be entitled to receive the allocation described in this paragraph (a)(1)(B)(i), unless the order is a Directed Order and the Lead Market Maker is not the Directed Market Maker.

* * * * *

(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.

* * * * *

If there are multiple quotes or orders for the same Directed Market Maker at the same price which are at the better of the internal PBBO[, excluding All-or-None Orders that cannot be satisfied,] or the NBBO when the Directed Order is received, the Directed Market Maker participation entitlement shall apply only to the Directed Market Maker quote or order which has the highest priority. The Directed Market Maker quote or order that received the Directed Order may not receive any further allocation of the Directed Order, except as noted in subparagraph (a)(1)(E) below. If rounding would result in an allocation of less than one contract, the Directed Market Maker shall receive one contract

(D) Entitlement for Orders of 5 contracts or fewer. This Entitlement for Orders of 5 contracts or fewer shall be allocated to the Lead Market Maker as described below. The allocation will only apply after the Opening Process and shall not apply to auctions. A Lead Market Maker is not entitled to receive a number of contracts that is greater than the size that is associated with its quote. On a quarterly basis, the Exchange will evaluate what percentage of the volume executed on the Exchange is comprised of orders for 5 contracts or fewer allocated to Lead Market Makers, and will reduce the size of the orders included in this provision if such percentage is over 25%.

(i) A Lead Market Maker is entitled to priority with respect to Orders of 5 contracts or fewer, including when the Lead Market Maker is also the Directed Market Maker, if the Lead Market Maker has a quote at the better of the internal PBBO[, excluding All-or-None Orders that cannot be satisfied,] or the NBBO, with no other Public Customer or Directed Market Maker interest with a higher priority.

(ii) If the Lead Market Maker's quote is at the better of the internal PBBO[, excluding All-or-None Orders that cannot be satisfied,] or the NBBO, with other Public Customer (including when the Lead Market Maker is also the Directed Market Maker) or other Directed Market Maker interest with a higher priority at the time of execution, a Lead Market Maker is not entitled to priority with respect to Orders of 5 contracts or fewer, however the Lead Market Maker is eligible to receive such contracts pursuant to paragraph (a)(1)(E); thereafter orders will be allocated pursuant to paragraph (a)(1)(F).

* * * * *

Section 12. Electronic Qualified Contingent Cross Order

* * * * *

Supplementary Material to Options 3, Section 12

.01 Stop orders which have not been elected are not protected orders and are thus not considered for the acceptance or execution of QCC Orders. [All-or-None Orders are not protected orders and are thus not considered for the acceptance or execution of QCC Orders, except that an incoming QCC Order with a size greater than or equal to the size of a resting Public Customer All-or-None Order would cause the QCC Order to be automatically cancelled provided the QCC price locks or crosses the All-or-None Order.]

* * * * *

Section 13. Price Improvement XL (“PIXL”)

A member may electronically submit for execution an order it represents as agent on behalf of a Public Customer, broker-dealer, or any other entity ("PIXL Order") against principal interest or against any other order (except as provided in sub-paragraph (a)(6) below) it represents as agent (an "Initiating Order") provided it submits the PIXL Order for electronic execution into the PIXL Auction ("Auction") pursuant to this Rule. The execution of a PIXL Order that is comprised of a Public Customer order to buy and a Public Customer to sell at the same price and for the same quantity will be governed by Options 3, Section 13(a) and (f) ("Public Customer-to-Public Customer Cross Order").

(a) Auction Eligibility Requirements. All options traded on the Exchange are eligible for PIXL. A member (the "Initiating Member") may initiate an Auction provided all of the following are met:

* * * * *

(2) If the PIXL Order (except if it is a Complex Order) is for the account of a Public Customer and such order is for 50 option contracts or more, or if the difference between the NBBO is greater than \$0.01, the Initiating Member must stop the entire PIXL Order (except if it is a Complex Order) at a price that is equal to or better than the NBBO and the internal market PBBO (the "Reference BBO[,] [which excludes All-or-None Orders]) on the opposite side of the market from the PIXL Order, provided that such price must be at least \$0.01 better than any Limit Order on the Limit Order book on the same side of the market as the PIXL Order.

* * * * *

(f) In lieu of the procedures in paragraphs (a) - (b) above, an Initiating Member may enter a PIXL Order for the account of a Public Customer paired with an order for the account of a Public Customer and such paired orders will be automatically executed without a PIXL Auction, provided there is not currently an Auction in progress in the same series or same strategy, in which case the orders will be rejected. The execution price for such a PIXL Order (except if it is a Complex Order) must be expressed in the quoting increment applicable to the affected series. Such an execution may not trade through the better of the NBBO or Reference BBO[, including All-or-None Orders that can be satisfied,] or at the same price as any resting Public Customer order. The execution price for such a Complex Order PIXL may be in .01 increments and may not trade at a price equal to or through the cPBBO including Reference BBO or at the same price as a resting Public Customer Complex Order[including All-or-None Orders that can be satisfied].

* * * * *

Section 14. Complex Orders

* * * * *

(d) Complex Order Opening Process (“COOP”).

* * * * *

(ii) Once trading in each option component of a Complex Order Strategy has opened or reopened following a trading halt for a certain configurable time not to exceed 60 seconds (and none of the conditions described in paragraph (c)(ii) above exist), the System will initiate the COOP for that Complex Order Strategy, provided that a COOP will only be conducted for any Complex Order Strategy that has a Complex Order received before the opening of that Complex Order Strategy, unless that Complex Order Strategy is already open as a result of another electronic auction process or another electronic auction involving the same Complex Order Strategy is in progress. Following a trading halt, a COOP will be conducted for any Complex Order Strategy that has a Complex Order present or had previously opened prior to the trading halt. The COOP will be conducted in two phases, the “COOP Timer” (as defined below) and the “COOP Evaluation” (as defined below).

* * * * *

(C) COOP Evaluation. Upon expiration of the COOP Timer, the System will conduct a COOP Evaluation to determine, for a Complex Order Strategy, the price at which the maximum number of contracts can trade[, taking into account Complex Orders marked All-or-None (which will be executed if possible) unless the maximum number of contracts can only trade without including All-or-None Orders]. The Exchange will open the Complex Order Strategy at that price, executing marketable trading interest, in the following order: first, to Public Customers in time priority; next to Phlx electronic market makers on a pro rata basis; and then to all other participants on a pro rata basis. The imbalance of Complex Orders that are unexecutable at that price are placed on the CBOOK.

* * * * *

If there is any remaining interest and there is no component that consists of the underlying security[and provided that the order is not marked all-or-none,] such interest may “leg” whereby each options component may trade at the PBBO with existing quotes and/or Limit Orders on the Limit Order book for the individual components of the Complex Order; provided that remaining interest may execute against any eligible Complex Orders received before legging occurs. If the remaining interest has a component that consists of the underlying security, such Complex Order will be placed on the CBOOK (as defined below).

* * * * *

(e) Process for Complex Order Live Auction (“COLA”). Complex Orders on the Complex Order Book (“CBOOK,” as defined below) may be subject to an automated auction process.

* * * * *

(vi) Allocation and Priority. As stated above, COLA-eligible orders, COLA Sweeps, and responsive Complex Orders will trade first based on the best price or prices available at the end of the COLA Timer.

(A) (1) “Legging.” If no COLA Sweeps or responsive Complex Orders for the same Complex Order Strategy as the COLA-eligible order were received during the COLA Timer and there is no component that consists of the underlying security, each options component of the COLA-eligible order may trade at the PBBO with existing quotes and/or Limit Orders on the Limit Order book for the individual components of the Complex Order, provided that each component is executed such that the components comprise the Complex Order Strategy with the correct ratio for the desired net debit or credit[and provided that the Complex Order is not marked all-or-none; All-or-None Orders that are not executed during the COLA are placed on the CBOOK.] Trades pursuant to this paragraph will be allocated in accordance with Options 3, Section 10.

* * * * *

(viii) Complex Orders resting on the CBOOK, and incoming electronic Complex Orders and COLA Sweeps that are received prior to the expiration of the COLA Timer, (collectively, for purposes of this rule, “incoming Complex Orders”) representing the same Complex Order Strategy as a COLA-eligible order will impact the original COLA as follows:

* * * * *

(C) Incoming Complex Orders on the opposite side of the market from the COLA-eligible order.

* * * * *

(3) Incoming Complex Orders that were received during the COLA Timer on the opposite side of the market from the COLA-eligible order with a price inferior to any other COLA Sweep or Complex Order will be executed against the COLA-eligible order after all interest at the better price(s) has/have been executed. After the initial COLA-eligible order has been executed to the fullest extent possible, incoming Complex Orders remaining unexecuted shall be eligible to trade with other Complex Orders and COLA Sweeps at their entered price. If, after the COLA-eligible order has been executed, there exist Complex Orders and/or COLA Sweeps on the opposite side of the market from the COLA-eligible order which cross the price of other Complex Orders or COLA Sweeps on the same side of the market from the COLA-eligible

order, and if such interest crosses and does not match in size, the execution price is based on the highest (lowest) executable offer (bid) price when the larger sized interest is offering (bidding), provided, however, that if there is more than one price at which the interest may execute, the execution price when the larger sized interest is offering (bidding) is the midpoint of the highest (lowest) executable offer (bid) price and the next available executable offer (bid) price rounded, if necessary, down (up) to the closest minimum trading increment. If the crossing interest is equal in size, the execution price is the midpoint of lowest executable bid price and the highest executable offer price, rounded, if necessary, up to the closest minimum trading increment. Executable bids/offers include any interest which could be executed without trading through residual Complex interest or the cPBBO, or without trading at the cPBBO where there is Public Customer interest.

If there is any remaining interest and there is no component that consists of the underlying security [and provided that the order is not marked all-or-none], such interest may “leg” whereby each options component may trade at the PBBO with existing quotes and/or Limit Orders on the Limit Order book for the individual components of the Complex Order; provided that remaining interest may execute against any eligible Complex Orders received before legging occurs. If the remaining interest has a component that consists of the underlying security, such Complex Order will be placed on the CBOOK.

* * * * *

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

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(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.

(A) A Complex Order resting on the CBOOK will execute automatically against: (1) quotes, orders on the Limit Order book for the individual options components of the order, or sweeps, except if any of the components is the underlying security [or if the Complex Order is marked all-or-none], and provided that the Complex Order can be executed in full or in a permissible ratio by such quotes or orders (allocated in accordance with Options 3, Section 10)); or (2) an incoming marketable Complex Order(s) that do(es) not trigger a COLA Timer, whichever arrives first.

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Section 23. Data Feeds and Trade Information

(a) The following data feeds are offered by Phlx:

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(2) **PHLX Orders** is a real-time full Limit Order book data feed that provides pricing information for orders on the PHLX Order book for displayed order types[and All-or-None Orders,] as well as market participant capacity. PHLX Orders is currently provided as part of the TOPO Plus Orders data product. PHLX Orders provides real-time information to enable users to keep track of the single and complex order book(s). The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, leg information on complex strategies and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only. The feed also provides auction and exposure notifications and order imbalances on opening/reopening (size of matched contracts and size of the imbalance).

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Options 5 Order Protection and Locked and Crossed Markets

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Section 4. Order Routing

(a) Phlx offers two routing strategies, FIND and SRCH. Each of these routing strategies will be explained in more detail below. An order may in the alternative be marked Do Not Route or “DNR”. The Exchange notes that for purposes of this rule the System will route FIND and SRCH Orders with no other contingencies. Immediate or Cancel (“IOC”) Orders will be cancelled immediately if not executed, and will not be routed. The System checks the Order Book for available contracts for potential execution against the FIND or SRCH orders. After the System checks the Order Book for available contracts, orders are sent to other available market centers for potential execution. For purposes of this rule, the Phlx's best bid or offer or “PBBO” does not include [All-or-None Orders or]Stop Orders which have not been triggered. The “internal PBBO” shall refer to the actual better price of an order resting on Phlx's Order Book, which is not displayed, but available for execution, excluding Stop Orders which have not been triggered[and All-or-None Orders which cannot be satisfied]. For purposes of this rule, a Route Timer shall not exceed one second and shall begin at the time orders are accepted into the System, and the System will consider whether an order can be routed at the conclusion of each Route Timer. Finally, for purposes of this rule, “exposure” or “exposing” an order shall mean a notification sent to participants with the price, size, and side of interest that is available for execution. An order exposure alert is sent if the order size is modified. Exposure notifications will be sent to participants in accordance with the routing procedures described in Options 5, Section 4(a)(iii) below except if an incoming order is joining an already established PBBO price when the ABBO is locked or crossed with the PBBO, in which case such order will join the established PBBO price and no exposure notification will be sent. For purposes of this rule Phlx’s opening process is governed by Options 3, Section 8 and includes an opening after a trading halt (“Opening Process”).

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(iii) The following order types are available:

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(C) **SRCH Order.** A SRCH Order is a Public Customer and Professional order that is routable at any time. A SRCH Order on the Order Book during an Opening Process (including a re-opening following a trading halt), whether it is received prior to an Opening Process or it is a GTC SRCH Order from a prior day, may be routed as part of an Opening Process. Orders initiate their own Route Timers and are routed in the order in which their Route Timers end.

* * * * *

(3) A SRCH Order received after an Opening Process that is marketable against the PBBO when the ABBO is inferior to the PBBO will be traded at the Exchange at or better than the PBBO price. If the SRCH Order has size remaining after exhausting the PBBO, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the price equal to the ABBO price, and/or (2) be routed, subject to a Route Timer, to away markets if all Phlx interest at better or equal prices has been exhausted, and/or (3) be entered into the Order Book at its limit price if not locking or crossing the PBBO[, including All-or-None Orders which can be satisfied,] or the ABBO. Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.

* * * * *

(5) If, at the end of the Route Timer pursuant to subparagraph (4) above, the SRCH Order is still marketable with the ABBO, the SRCH Order will route up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the SRCH Order. If the SRCH Order is locked or crossed by away quotes, it will route at the completion of the Route Timer. If the ABBO worsens but remains better than the PBBO, the SRCH Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer. If the SRCH Order still has remaining size after such routing, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (2) be entered into the book at its limit price if not locking or crossing the PBBO[, including All-or-None Orders which can be satisfied,] or the ABBO. The System will route and execute contracts contemporaneously at the end of the Route Timer. Once on the book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.

* * * * *

(7) If, at the end of the Route Timer pursuant to subparagraph (6) above, the ABBO is still the best price and is marketable with the SRCH Order, the order will route to the away market(s) whose disseminated price is better than the PBBO, up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the SRCH Order. If the SRCH Order still has remaining size after such routing, it may: (1) trade

at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (2) be entered into the Order Book at its limit price if not locking or crossing the PBBO[including All-or-None Orders which can be satisfied] or the ABBO. Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.

* * * * *

(9) If, at the end of the Route Timer pursuant to subparagraph (8) above, the ABBO is still the best price, the SRCH Order will route to the away market(s) up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the SRCH Order. If the SRCH Order still has remaining size after such routing, it may: (i) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the PBBO[, including All-or-None Orders which can be satisfied,] or the ABBO.

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Options 7 Pricing Schedule

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Section 3. Rebates and Fees for Adding and Removing Liquidity in SPY

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Part C. The following will apply to fees in Parts A and B:

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[• The Cancellation Fee for each cancelled electronically delivered Professional AON order will continue to apply to the SPY. The Cancellation Fee will not apply for each cancelled electronically delivered Customer order in SPY.]

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Options 8 Floor Trading

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Section 30. Crossing, Facilitation and Solicited Orders

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Supplementary Material to Options 8, Section 30:

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.03 Stop orders which have not been elected are not protected orders and are thus not considered for the acceptance or execution of Floor QCC Orders. [All-or-None Orders are not protected

orders and are thus not considered for the acceptance or execution of Floor QCC Orders, except that an incoming Floor QCC Order with a size greater than or equal to the size of a resting Public Customer All-or-None Order would cause the QCC Order to be automatically cancelled provided the QCC price locks or crosses the All-or-None Order.]

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Section 32. Types of Floor-Based (Non-System) Orders

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(b) *Contingency Order*. A contingency order is a Limit or Market Order to buy or sell that is contingent upon a condition being satisfied while the order is at the post.

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(3) *All or None Order*. An All-or-None Order is a Market or Limit Order which is to be executed in its entirety or not at all. An All-or-None Order may only be submitted by a Public Customer. [All-or-None Orders are non-displayed and non-routable. All-or-None Orders are executed in price-time priority among all Public Customer orders if the size contingency can be met.] Further, pursuant to Options 8, Section 39, A-3, an All-or-None Order has no standing respecting executions in the trading crowd except with respect to other All-or-None Orders. When represented in the trading crowd, All-or-None Orders are not included as part of the bid or offer.

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