

# SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104292; File No. SR-Phlx-2025-61]

## Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Legging Orders

December 2, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 19, 2025, Nasdaq PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II 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 Legging Order functionality at Options 3, Section 7(k).

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

### 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

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

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

proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange previously filed a rule proposal to align all Complex Order functionality on Phlx to Nasdaq ISE, LLC (“ISE”) and Nasdaq MRX, LLC (“MRX”) Complex Order functionality.<sup>3</sup> Specifically, the Exchange adopted Legging Order functionality identical to ISE and MRX Options 3, Section 7(k).<sup>4</sup>

On Phlx, if a Legging Order is created from a Complex Order with a lower priority (i.e., Non-Customer Order) at the same price and, thereafter, a Complex Order with a higher priority arrives (i.e., Customer), the prior lower priority Legging Order would be removed and replaced with the Legging Order for the Complex Order with a higher priority. This is consistent with Phlx’s allocation methodology. On Phlx bids and offers at the same price on the Complex Order Book will be executed pro-rata based on size with Customer priority.<sup>5</sup> Phlx’s allocation methodology differs from ISE and MRX where bids and offers at the same price on the Complex Order Book are executed in time priority.<sup>6</sup>

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<sup>3</sup> See Securities Exchange Act Release No. 102862 (April 15, 2025), 90 FR 16731 (April 21, 2025) (SR-Phlx-2025-17) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Phlx's Complex Order Functionality) (“Complex Order Filing”). SR-Phlx-2025-17 proposed the same operative date as this proposal as they are both part of the same technology migration.

<sup>4</sup> See id.

<sup>5</sup> Phlx Options 3, Section 14(d)(2) permits execution in time priority or pro-rata based on size. Phlx will utilize pro-rata based on size allocation with Customer priority when it implements the Complex Order Filing.

<sup>6</sup> ISE and MRX Options 3, Section 14(d)(2) permits execution in time priority or pro-rata based on size.

Recently adopted rule text at Options 3, Section 7(k)(1)<sup>7</sup> provides that a Legging Order may be automatically generated for one or both leg(s) of a Complex Options Order resting on top of the Complex Order Book at a price: (i) that matches or improves upon the best displayed bid or offer on the single-leg limit order book; and (ii) at which the net price can be achieved when the other leg is executed against the best displayed bid or offer on the single-leg limit order book, excluding other Legging Orders. Further, recently adopted Options 3, Section 7(k)(4)<sup>8</sup> states, “A Legging Order is automatically removed from the single-leg limit order book if: ... (vii) 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 price priority.” However, recently adopted Options 3, Section 7(k)(2)<sup>9</sup> describes when Legging Orders will not be generated and states, among other things that, “A Legging Order will not be generated: ... (iv) if there is already a Legging Order in that options series on the same side of the market at the same price.” The language in Options 3, Section 7(k)(2)(iv) does not currently align with the rule text in Options 3, Section 7(k)(1) or Options 3, Section 7(k)(4)(vii) given that Phlx’s allocation methodology includes Customer priority. Accordingly, at this time the Exchange proposes to amend Options 3, Section 7(k)(2)(iv) to more accurately state a Legging Order will not be generated if there is already a Legging Order in that options series for a Complex Options Order with higher priority on the same side of the market at the same price. The proposed change to Options 3, Section 7(k)(2)(iv) will reflect Phlx’s Customer priority allocation methodology and make Options 3, Section 7(k)(2)(iv) consistent with Options 3, Section 7(k)(4)(vii).

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<sup>7</sup> See supra note 3.

<sup>8</sup> See supra note 3.

<sup>9</sup> See supra note 3.

## Implementation

The Exchange will implement this rule change at the same time as the Complex Order Filing.

### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>10</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>11</sup> in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest for the reasons discussed below.

The Exchange's proposal to amend Options 3, Section 7(k)(2)(iv) to provide that a Legging Order will not be generated if there is already a Legging Order in that options series for a Complex Options Order with higher priority on the same side of the market at the same price is consistent with the Act. The proposed amendment to Options 3, Section 7(k)(2)(iv) accounts for Phlx's allocation methodology and removes any ambiguity in the rule as to the System's process of generating Legging Orders. Of note, ISE and MRX bids and offers at the same price on the Complex Order Book are executed in time priority.<sup>12</sup>

### 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.

Phlx's proposal to amend Options 3, Section 7(k)(2)(iv) does not impose an undue burden on intra-market competition because the amended rule would be applied in a uniform manner to the generation of all Legging Orders by the System.

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<sup>10</sup> 15 U.S.C. 78f(b).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

<sup>12</sup> ISE and MRX Options 3, Section 14(d)(2) permits execution in time priority or pro-rata based on size.

Phlx's proposal to amend Options 3, Section 7(k)(2)(iv) does not impose an undue burden on inter-market competition as other options exchanges may adopt Legging Orders and similar rules for the generation of such orders.

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 prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>13</sup> and Rule 19b-4(f)(6) thereunder.<sup>14</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>15</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>16</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative at the same time as SR-

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<sup>13</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>14</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of 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.

<sup>15</sup> 17 CFR 240.19b-4(f)(6).

<sup>16</sup> 17 CFR 240.19b-4(f)(6)(iii).

Phlx-2025-17.<sup>17</sup> The Exchange states that waiver of the operative delay will allow the Exchange to amend its rules to make the Legging Order provision in Options 3, Section 7(k)(2)(iv) consistent with the Exchange's allocation methodology at the same time that the Exchange implements the new Legging Order functionality in SR-Phlx-2025-17. The Commission believes that waiver of the operative delay is consistent with the protection of investors and the public interest. Waiver of the operative delay will help to ensure that the Legging Order provision in Options 3, Section 7(k)(2)(iv) accurately reflects that the Exchange will not generate a Legging Order when there is already a Legging Order in the series at the same price on the same side of the market for a Complex Options Order with higher priority. The Exchange states that not generating a Legging Order in this circumstance is consistent with Exchange's allocation methodology, which includes Customer priority. In addition, the proposal does not raise new or novel regulatory issues. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposal operative upon filing.<sup>18</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)<sup>19</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

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<sup>17</sup> See supra note 3 and accompanying text.

<sup>18</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>19</sup> 15 U.S.C. 78s(b)(2)(B).

#### 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](mailto:rule-comments@sec.gov). Please include file number SR-Phlx-2025-61 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-2025-61. 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 filing 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-2025-61 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.<sup>20</sup>

**Sherry R. Haywood,**  
*Assistant Secretary.*

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<sup>20</sup> 17 CFR 200.30-3(a)(12) and (59).