

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-83339; File No. SR-Phlx-2018-40)

May 29, 2018

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing of Proposed Rule Change to Extend the Applicability of the Floor Broker Management System and the Snapshot Functionality to Registered Options Traders and Specialists

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup>, and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 24, 2018, 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 change the name of the Floor Broker Management System and to require all members that operate on the Exchange Floor, including Floor Brokers, Registered Options Traders, and Specialists, to enter and submit Floor-based trades using that system.

The text of the proposed rule change is available on the Exchange’s website at <http://nasdaqphlx.cchwallstreet.com/>, 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

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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 proposes to amend its Rules to change the name of its electronic order entry system, the Floor Broker Management System, to the Floor Based Management System ("FBMS"). The Exchange also proposes to extend to the other members that operate on the Exchange Floor – Registered Options Traders ("ROTs")<sup>3</sup> and Specialists<sup>4</sup> – the same general obligation it imposes upon Floor Brokers regarding orders on the Floor of the Exchange, which is to enter such orders using FBMS, rather than by writing paper tickets that memorialize the orders and then submitting the matched trade tickets to an Exchange Data Entry Technician ("DET").

Presently and in most instances, the Exchange requires Floor Brokers to enter orders using the Floor Broker Management System. The Floor Broker Management System is an electronic order entry system that is accessible to Floor Brokers and their employees on the Exchange floor through desktop and tablet computers. As is described in Commentary .06 to Rule 1080, FBMS enables Floor Brokers and their employees to enter, route, and report transactions stemming from options orders received on the Exchange. It also establishes an electronic audit trail for options orders represented and executed by Floor Brokers on the

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<sup>3</sup> Rule 1014(b) defines a ROT as a "a regular member or a foreign currency options participant of the Exchange located on the trading floor who has received permission from the Exchange to trade in options for his own account." A ROT includes a Streaming Quote Trader and a Remote Streaming Quote Trader.

<sup>4</sup> Rule 1020 describes the functions of a (Options) Specialist.

Exchange. Pursuant to Rule 1063(e)(i), Floor Brokers must enter certain information into the Floor Broker Management System about each of the orders they receive when they receive them and prior to representing such orders in the trading crowd.

At the time when the Exchange introduced FBMS, the Exchange did not deem it necessary for ROTs or Specialists to use FBMS because the Exchange specifically intended to use FBMS as an electronic audit trail for Floor Brokers. Accordingly, ROTs and Specialists presently are neither required nor permitted to enter or execute orders using the Floor Broker Management System. Instead, ROTs and Specialists must record order and related execution details on paper trading tickets. ROTs and Specialists provide such matched trade tickets to Exchange DETs who then manually input the information written on the tickets into the Exchange's electronic trading system, which is included in the electronic audit trail.

The manual order entry process that ROTs and Specialists utilize has become outmoded in comparison to the Floor Broker Management System. The process of manually recording order and execution information onto tickets, submitting such tickets to Exchange DETs, and then the DETs entering the information written on such tickets into the Exchange's electronic system is less efficient than the entry of order information into the Floor Broker Management System. Also, manual trades, often, are reported with a "Late" or "Out Of Sequence" trade condition due to this manual process. The order entry system used for trade tickets executed by ROTs and Specialists is also more prone to human error than is the Floor Broker Management System insofar as the latter system automatically enforces the Exchange's priority and trade-through rules, while the former does not. Moreover, unlike the Floor Broker Management System, the existing process for ROTs and Specialists does not establish an immediate audit trail for orders due to the manual handling of orders.

To address these inefficiencies, mitigate risks, and to improve the compliance record, the Exchange proposes to modernize the order entry process for ROTs and Specialists by replacing it with the Floor Broker Management System, which will be renamed the “Floor Based Management System” or “FBMS” to reflect its broader applicability to Floor Brokers, ROTs and Specialists.

To effectuate these changes, the Exchange proposes several amendments and additions to the Exchange’s Rules.

First, the Exchange proposes to amend Rule 1000(f), which sets forth the means by which options transactions may be executed on the Exchange, to expressly permit ROTs and Specialists to execute orders utilizing FBMS.<sup>5</sup> The proposal would also amend Rule 1000(f) to prohibit ROTs and Specialists from executing orders in the Exchange’s options trading crowd, with certain exceptions. These exceptions are: (1) malfunctions in FBMS or another problem with

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<sup>5</sup> The Exchange notes that Rule 1014(g) sets forth the allocation of responsibility among the parties to a trade to allocate, match, and time stamp trades executed in open outcry and to submit matched trade tickets to a DET located on the trading floor immediately upon execution. The Exchange proposes to amend Rule 1014(g)(vi) (and Floor Advice F-2) to clarify that this allocation of responsibility also applies when members execute trades electronically using FBMS. Thus, in accordance with Rule 1014(g)(vi)(a), if a trade involves a Floor Broker, the Floor Broker will be responsible for entering trade information into FBMS (or onto a paper trade ticket, if one of the FBMS exceptions apply), unless the Floor Broker delegates this responsibility to a Specialist (and the Specialist accepts this responsibility). In accordance with Rule 1014(g)(vi)(b), where a trade involves a Specialist but no Floor Broker is present, the Specialist will be responsible for entering the trade information into FBMS (or submitting it using a paper trade ticket). In other cases, where the trade involves no Floor Brokers or Specialists (for example, where it involves several ROTs), then the largest on-floor participant will be responsible for submitting the trade into FBMS (or submitting it using a paper trade ticket), in accordance with Rule 1014(g)(vi)(c). Finally, as set forth in Rule 1014(g)(vi)(d), where the trade involves only one seller and buyer and no Floor Broker or Specialist is involved (e.g., both participants are ROTs), then the seller will be responsible for entering the trade information into FBMS (or submitting it using a paper trade ticket), unless either the seller or the buyer is a Remote Streaming Quote Trader (as defined in Rule 1014(a)(ii)(B)), in which case the on-floor participant in the transaction shall do so.

Exchange systems; (2) executing orders in the trading crowd pursuant to Rule 1059 (cabinet trades) and Rule 1079 (FLEX equity, index, and currency options); (3) multi-leg orders involving more than 15 legs; (4) certain split price orders; and (5) the use of the Snapshot functionality to provisionally execute certain categories of trades in the trading crowd. Although the Exchange established these exemptions with Floor Brokers in mind, they are also applicable to ROTs and Specialists. For example, malfunctions in FBMS would impact ROTs and Specialists to the same degree as they would impact Floor Brokers. Likewise, limitations on the design of FBMS that prevent it from handling multi-leg orders of more than 15 legs, cabinet orders, or FLEX orders, or certain split price orders apply equally to Floor Brokers and to ROTs and Specialists that engage in such trades.

As to Snapshot, the Exchange proposes to authorize ROTs and Specialists, like Floor Brokers, to use Snapshot to provisionally execute, in the options trading crowd, multi-leg orders and simple orders in options on exchange traded funds that are included in the Options Penny Pilot, subject to the procedures for and the limitations to the use of Snapshot. These procedures and limitations for Snapshot are set forth presently in Rule 1063(e)(v), but the Exchange proposes to move them to a new Section 1069, where they will apply broadly to “members” rather than only to Floor Brokers.<sup>6</sup>

The Exchange believes that the Snapshot functionality is appropriate for use by ROTs and Specialists, notwithstanding the fact that ROTs and Specialists trade on a proprietary basis, rather than on an agency basis like Floor Brokers. ROTs and Specialists are subject to the same

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<sup>6</sup> As part of this filing, the Exchange proposes to delete obsolete language from Rule 1063(e) that announced the initial implementation date for the Snapshot functionality and described the manner in which the Exchange would alert members of the availability of the functionality. This language is obsolete because Snapshot has been implemented and it is presently available for use by Floor Brokers.

risk as are Floor Brokers with respect to Floor-based trading – i.e., the risk that the market will move faster than participants are able to manually enter and submit paper trade tickets on trades consummated in open outcry –which Snapshot exists to mitigate. Furthermore, the Exchange believes that the same parameters and limitations that the Exchange established for Floor Brokers’ use of Snapshot are appropriate for ROTs and Specialists. The Exchange does not anticipate that the use of Snapshot by ROTs or Specialists will pose any increased or unique risks relative to its use by Floor Brokers. As such, the Exchange proposes to employ the same methods it utilizes presently to surveil Floor Brokers’ use of Snapshot to also monitor ROTs’ and Specialists’ uses of Snapshot.<sup>7</sup>

The following is an example of how Snapshot would apply to a hypothetical trade by a ROT. In this example, a ROT enters a multi-leg order into FBMS to buy 50 MRK Mar 50 calls, buy 50 MRK Mar 53.50 calls, sell 50 MRK Mar 54 Calls, and sell 50 MRK Mar 52.50 calls for a \$3.00 debit and the ROT wants specific prices entered on each leg of this trade. He enters the trading crowd, lawfully announces the order, and requests bids and offers from the trading crowd. A Market Maker in the trading crowd offers to sell 50 contracts at a \$3.00 credit while the National Best Bid or Offer is \$2.75 bid and \$3.30 offer. At this point, the ROT will provisionally execute the trade orally in the trading crowd and contemporaneously clicking the

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<sup>7</sup> For example, the Exchange will monitor ROTs and Specialists to determine whether they exhibit patterns of using Snapshot excessively, including in circumstances where the nature of the orders or movements in the markets for such orders do not reasonably warrant the use of Snapshot or the full extent of its use. The Exchange will compare the times of provisional executions in the crowd that Snapshot captures with the records of such times that Options Exchange Officials capture to ensure accuracy. The Exchange will also surveil for patterns of orders subject to Snapshots that ROTs and Specialists abandon without submitting them to the Trading System for final execution. The Exchange notes, however, that Snapshot surveillance that the Exchange performs to protect Floor Brokers’ customers will not be required for ROTs and Specialists insofar as ROTs and Specialists trade on a proprietary basis and not on behalf of customers.

Snapshot button. Within the 30 second time frame in which the Snapshot is active, the ROT will open the Complex Calculator, enter his specific prices and submit the trade to the Trading System using FBMS for potential execution.

Second, the Exchange proposes to establish an analogue for ROTs and Specialists to Rule 1063(e)(i), which sets forth the responsibilities of Floor Brokers to enter certain order information into FBMS. Similar to Rule 1063(e)(i), new Rule 1081 will require ROTs and Specialists, prior to the negotiation<sup>8</sup> of such an order in the trading crowd, to enter certain information into FBMS, which will include the following: (i) the order type (i.e., market maker<sup>9</sup>) and order receipt time; (ii) the option symbol; (iii) buy, sell, cross or cancel; (iv) call, put, or complex (i.e., spread, straddle), or contingency order (as described in Rule 1066); (v) number of contracts; (vi) limit price or market order or, in the case of a multi-leg order, net debit or credit, if applicable; and (vii) whether the transaction is to open or close a position, as applicable

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<sup>8</sup> Whereas Rule 1063(e)(i) provides that a Floor Broker must enter information into FBMS “contemporaneously upon receipt of an order” and prior to its “representation” of a trade on behalf of a client, proposed Rule 1081 (and proposed Floor Advices A-2 and B-7) will provide that a ROT or Specialist must enter information into FBMS “prior to” their “negotiation” of a trade. The Exchange proposes to use the term “negotiation” throughout the proposed Rules in lieu of “representation” to reflect the fact that ROTs and Specialists trade on a proprietary basis and do not represent orders on behalf of others. The Exchange also proposes to omit the requirement that ROTs and Specialists enter information into FBMS “contemporaneously upon receipt of an order” because ROTs and Specialists trade on a proprietary basis and do not receive orders.

<sup>9</sup> Rule 1063(e)(i) presently requires a Floor Broker to enter into FBMS information about whether an order is customer, firm, broker-dealer, or professional in nature. The Exchange proposes to add “market maker” as another potential order type, given that Floor Brokers may represent orders on behalf of market makers. Proposed Rule 1081 and Proposed Floor Advices A-2 and B-7 also will provide for ROTs and Specialists to enter market maker orders in FBMS. However, unlike Rule 1063(e)(1), proposed Rule 1081 and proposed Floor Advices A-2 and B-7 will only permit ROTs and Specialists to enter market maker orders into FBMS because they will not enter trades on behalf of customers, firms, broker-dealers, or professional customers.

(collectively, the "required information").<sup>10</sup> It provides that a Registered Options Trader or Specialist must enter complete alpha/numeric identification assigned by the Exchange for all orders entered.<sup>11</sup> It also provides that additional information with respect to an order shall be inputted into FBMS contemporaneously upon receipt, which may occur after the negotiation and execution of the order. Such information might include badge information for a ROT that trades with another ROT. In the event that ROTs and Specialists execute orders in the trading crowd pursuant to Rule 1000(f)(ii),<sup>12</sup> the Rule requires ROTs and Specialists to record the required information on trade tickets, to stamp each ticket with the time of entry on the trading floor before negotiating an order for execution, to stamp each ticket again upon execution of an order,

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<sup>10</sup> Proposed Rule 1081(a) omits the requirement in Rule 1063(e) that information entered into FBMS include the Options Clearing Corporation clearing number of the broker-dealer that submitted an order. Proposed Rule 1081(a) omits this requirement because it does not apply to ROTs and Specialists that will be trading on a proprietary basis. Proposed Floor Advices A-2 and B-7 also omit this requirement.

<sup>11</sup> Unlike the corresponding provision of Rule 1063(e), this provision omits the phrase "on behalf of Exchange Registered Options Traders" after requiring entry of "complete alpha/numeric identification assigned by the Exchange for all orders." The Exchange proposes this omission because a ROT or Specialist will, in all instances in which they utilize FBMS, need to enter the alpha-numeric information that the Exchange has assigned to them as well as, perhaps, alpha/numeric information that the Exchange has assigned any other ROT or Specialist with which they are trading.

<sup>12</sup> The Exchange also proposes to amend corresponding language in Rule 1063(e)(ii) that states presently that Floor Brokers must record information on trade tickets "[i]n the event of a malfunction in the FBMS or in the event that the Exchange determines that Floor Brokers are permitted to execute orders in the Exchange's options trading crowd for a specific reason pursuant to Rule 1000(f)(iii)." The proposed amendment will update and clarify this provision by stating that a Floor Broker must record information on trade tickets "[i]n the event that Floor Brokers execute orders in the Exchange's options trading crowd pursuant to Rule 1000(f)(ii)." The proposed amended language is more accurate than the existing language in that most of the exceptions to the use of FBMS set forth in Rule 1000(f) apply automatically and do not require the prior permission of the Exchange. The Exchange also proposes to make an amendment to similar language in Floor Advice C-2.



and to ensure that the required information that is recorded on such trade tickets is entered into the Exchange's electronic Trading System by DETs for inclusion in the electronic audit trail.<sup>13</sup>

Moreover, proposed Rule 1081(d) states that when ROTs and Specialists submit orders for execution through FBMS, the order will be executed based on market conditions that exist at the time of execution<sup>14</sup> and otherwise in accordance with the Exchange's Rules. If the order cannot be executed, the Trading System will attempt to execute the order a number of times for a period of no more than one second, which period shall be established by the Exchange and announced by Options Trader Alert, after which it will be returned to the ROT or Specialist on the FBMS. Lastly, it states that the Registered Options Trader or Specialist may resubmit the returned order for execution, as long as the quotes that comprise the order have not been withdrawn.<sup>15</sup> Registered Options Traders and Specialists are responsible for handling

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<sup>13</sup> Simultaneously with this proposal, the Exchange proposes to amend the last sentences of paragraphs (i) and (ii) of Rule 1063(e) to address unintended inconsistencies between them and to clarify as well that when Floor Brokers must record trade information on paper trade tickets, they or their employees must ensure that the recorded information is entered into the Exchange's electronic Trading System by DETs for inclusion in the electronic audit trail. Presently, Rule 1063(e)(i) states that Floor Brokers must enter the information into the Trading System and ensure that it is submitted for inclusion in the electronic audit trail, but DETs are responsible for entering this information into the Trading System. Meanwhile, Rule 1063(e)(ii) incorrectly suggests that either Floor Brokers or DETs may enter the information recorded on trade tickets into the Trading System. The Exchange's proposals clarify, correct, and harmonize these two provisions. The Exchange also proposes to apply these changes to Floor Advice C-2 and include it in proposed Rule 1081 and proposed Floor Advices A-2 and B-7.

<sup>14</sup> Simultaneously with this proposal, the Exchange proposes to make a change to Rule 1063(e)(iv) to clarify that when a Floor Broker submits an order for execution through FBMS, the order will be executed based on market conditions at the time of execution.

<sup>15</sup> Proposed Rule 1081(d) omits language from Rule 1063(e)(iv) stating that a Floor Broker may re-submit a returned order, provided that the quotes/orders that comprise the cross have not been withdrawn. The Exchange proposes to omit this language from proposed Rule 1081(d) because ROTs and Specialists will not engage in crosses. Similarly, proposed Rule 1081(d) differs from Rule 1063(e)(iv) in that proposed Rule 1081(d) excludes language which states that FBMS is designed to execute "two-sided" orders.

all FBMS orders in accordance with Exchange priority and trade-through rules, including Rules 1014, 1033 and 1084.

Additionally, and as discussed earlier, proposed Rule 1081 will permit ROTs and Specialists to utilize the Snapshot feature of FBMS in accordance with the procedures and limitations set forth in proposed Rule 1069. Proposed Rule 1081 also incorporates and adapts Commentary .01 of Rule 1063, and will provide that a ROT or Specialist that wishes to place a limit order on the limit order book cannot submit such a limit order using a paper ticket; instead, the ROT or Specialist must submit the limit order electronically through the FBMS (unless an exception to the use of FBMS applies).<sup>16</sup>

The Exchange notes that, as set forth in proposed Rule 1081(a), it anticipates that it will make FBMS available to ROTs and Specialists during the Second Quarter of 2018. To facilitate the transition to FBMS, the Exchange will not require ROTs or Specialists to utilize FBMS until one month after the date on which the Commission approves the Exchange's proposal. The Exchange will notify Members via an Options Trader Alert, to be posted on the Exchange's website, at least seven calendar days prior to the date when FBMS will be available for use by ROTs and Specialists. The alert will also contain the mandatory start date.

Next, the Exchange proposes to amend Rule 1066, which list certain order types that are eligible for entry on FBMS, to clarify that the Rule permits all members operating on the Exchange Floor, including Floor Brokers, ROTs, and Specialists, to enter such orders on FBMS.

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ROTs and Specialists act for their own accounts, and not for others, such that they will not use FBMS to execute two-sided orders.

<sup>16</sup> The Exchange notes that it does not propose to incorporate Commentary .02 to Rule 1063, which requires Floor Brokers to make reasonable efforts to ascertain when orders entrusted to them are for the account of a customer or a broker-dealer. This provision does not apply to ROTs or Specialists, which do not act on an agency basis.

The Exchange proposes to amend Commentary .06 to Rule 1080, which describes the functions of FBMS, to clarify that it applies to all members that operate on the Exchange Floor, including Floor Brokers, ROTs, and Specialists. It also proposes to amend a cross-reference in the Rules to a description of the features of FBMS to include a cross-reference to proposed Rule 1081.<sup>17</sup>

The Exchange proposes to amend its Option Floor Procedure Advices and Order & Decorum Regulations (“Advices”), which presently govern the use of FBMS only by Floor Brokers, so that they also cover the use of FBMS by ROTs and Specialists as well. Specifically, the proposal establishes new Advices A-2 and B-7, which largely replicate Advice C-2 (governing use by Floor Brokers of FBMS) for Specialists and ROTs, respectively. The proposal also amends certain Advices to extend their references to Floor Brokers to also include ROTs and Specialists, including Advice A-2 (All-or-None Option Orders), Advice F-2 (Allocation, Time Stamping, Matching and Access to Matched Trades)<sup>18</sup> and F-4 (Orders Executed as Spreads, Straddles, Combinations or Synthetics and other Order Ticket Marketing Requirements).

Lastly, the Exchange also proposes to update existing references in its Rulebook to the “Floor Broker Management System” so that they refer instead to the new name of the system, the “Floor Based Management System.” In addition to the Rules mentioned above, these conforming changes affect Rules 911, 1063, 1064, and 1098, and Advices A-9, B-6, B-8, C-2, and C-3.

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<sup>17</sup> The Exchange proposes to correct a typographical error that appears in this Commentary. The word “trial” in the phrase “audit trial” will be changed to “trail.”

<sup>18</sup> The Exchange proposes to amend Advice F-2 to include the same clarification it proposes to make to Rule 1014(g)(vi).

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>19</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>20</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

In particular, by providing for a uniform system of order entry on the Exchange floor, the Exchange's proposal to extend FBMS to ROTs and Specialists will help ensure fair and equal treatment for all members that operate on the Exchange floor. It will also serve the interests of investors and the public to establish an electronic order entry system for ROTs and Specialists that is more accurate, less prone to error, less time intensive (thereby helping to ensure customer trade priority), and that establishes an immediately available audit trail.

The Exchange also believes that it is consistent with the Act for ROTs and Specialists to utilize FBMS notwithstanding the fact that it designed FBMS for use by Floor Brokers, and to do so subject to the same general conditions, requirements, and exceptions which apply presently to Floor Brokers. The Exchange initially designed FBMS for use by Floor Brokers because the Exchange sought to establish an electronic audit trail mechanism for Floor Brokers, in particular; however, the Exchange never intended to specifically exclude ROTs and Specialists from FBMS and it perceives no policy basis for doing so now. Moreover, to the extent that the Exchange proposes to make FBMS available to all Floor participants, it perceives no basis for doing so on anything but the same terms. That is, the Exchange anticipates no unique risks associated with the use of FBMS by ROTs and Specialists, and it believes that the exceptions to FBMS that exist

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<sup>19</sup> 15 U.S.C. 78f(b).

<sup>20</sup> 15 U.S.C. 78f(b)(5).

in Rule 1000(f) are each applicable to ROTs and Specialists. That said, the Exchange proposes minor alterations to the Rules that presently govern the use of FBMS by Floor Brokers to, among other things, account for the fact that ROTs and Specialists negotiate orders on the Floor on their own behalf and do not represent orders on the Floor on behalf of others.

Similarly, the Exchange believes that it is consistent with the Act to extend the availability of the Snapshot functionality of FBMS to ROTs and Specialists. The Exchange's rationale for providing Snapshot to Floor Brokers is equally applicable to ROTs and Specialists. ROTs and Specialists are subject to the same risk as are Floor Brokers when trading in open outcry on the Exchange Floor. This risk, which arises from the manual processes inherent in Floor-based trading, is that the Exchange's Trading System will reject a trade due to a change in market conditions that occurs between the time when the parties negotiate a lawful and valid trade on the Floor, enter the trade information into FBMS, and submit it to the Trading System. The use of Snapshot by ROTs and Specialists will promote just and equitable principles of trade and serve the interests of investors and the public by mitigating this risk and by increasing the likelihood that ROTs and Specialists will be able to execute their orders and do so in line with their expectations and needs. Again, the Exchange perceives no unique risks or concerns associated with the use of Snapshot by ROTs or Specialists that would necessitate proposing any special changes to or restrictions on their use of the Snapshot functionality.

**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.

The Exchange's proposal to extend FBMS to ROTs and Specialists is intended to modernize and otherwise improve the Exchange's internal order entry process; it is neither intended nor expected to materially affect the competitive position of the Exchange vis-a-vis

other exchanges. If anything, this proposal would improve the options floor trading environment for ROTs and Specialists, thereby making the Exchange a more attractive venue for floor trading.

The Exchange also does not believe that its proposal to extend the availability of the Snapshot functionality to ROTs and Specialists will burden competition. To the contrary, the Exchange intends for this proposal to make its options trading Floor more competitive with other floor trading venues that have less stringent anti-trade-through procedures as compared to the Exchange. The proposal is also intended to make the Floor more competitive with electronic options trading venues that feature near-instantaneous and autonomous execution processes which eliminate the risks that Snapshot exists to mitigate.

The Exchange does not anticipate that its proposals will impact intra-market competition because the proposals will simply extend the benefits of FBMS and Snapshot to all categories of its Floor participants.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be disapproved.

#### IV. Solicitation of Comments

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

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-Phlx-2018-40 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-2018-40. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying

information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-Phlx-2018-40 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>21</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>21</sup> 17 CFR 200.30-3(a)(12).