

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-88213; File No. SR-Phlx-2020-03)

February 14, 2020

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Relocate Rules from its Current Rulebook into its New Rulebook Shell

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 February 3, 2020, 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 relocate rules from its current Rulebook into its new Rulebook shell

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 proposed rule change. The text of these statements may be examined at the places specified in

---

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

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

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 purpose of this rule change is to relocate Phlx rules into the new Rulebook shell with some amendments to the shell.<sup>3</sup> The Exchange has already relocated options rules of its Affiliated Exchanges so that it may harmonize its rules, where applicable, across Nasdaq markets. The relocation and harmonization of the Phlx options rules is part of the Exchange’s continued effort to promote efficiency and conformity of its processes with those of its Affiliated Exchanges. The Exchange believes that the placement of the Phlx Rules into their new location in the shell will facilitate the use of the Rulebook by members.

Universal Changes

The Exchange proposes to replace references to “Phlx XL”, “Phlx XL II”, “trading system” and “system” with the defined term “System” throughout the new rules. The Exchange proposes to replace the terms “specialist” and “Specialist” with the term “Lead Market Maker” to define this market participant throughout the Rulebook. The Exchange proposes to replace the terms “Remote Specialist” with the term “Remote Lead Market Maker” to define this market participant throughout the Rulebook. Any references to “Directed Specialist” shall be replaced with “Directed Lead Market Maker.” The Exchange proposes to replace the term “Registered

---

<sup>3</sup> Previously, the Exchange added a shell structure to its Rulebook with the purpose of improving efficiency and readability and to align its rules closer to those of its five sister exchanges, Nasdaq BX, Inc.; Nasdaq PHLX LLC; The Nasdaq Stock Market LLC; Nasdaq GEMX, LLC; and Nasdaq MRX, LLC (“Affiliated Exchanges”). The shell structure currently contains eight (8) Chapters which, once complete, will apply a common set of rules to the Affiliated Exchanges. See Securities Exchange Act Release No. 82169 (November 29, 2017), 82 FR 57508 (December 5, 2017) (SR-Phlx-2017-97).

Options Trader” with the term “Market Maker” to define this participant throughout the Rulebook. Any references to (“ROTs”) will be removed from the Rulebook. With respect to renaming the market participants, the Exchange notes that there are no changes to the roles and responsibilities of these market participants in connection with the name change.

The Exchange proposes to change references to “Commentary” to “Supplementary Material” to conform the term throughout the Rulebook. The defined terms “Exchange Act” and “SEC” replaced the terms “Securities Exchange Act of 1934” and “Securities and Exchange Commission”, respectively.

The Exchange proposes to update all cross-references within the Rule to the new relocated rule cites. The Exchange proposes to replace internal rule references to simply state “this Rule” where the rule is citing itself without a more specific cite included in the Rule. For example, if Phlx Rule 1014 refers currently to “Rule 1014” or “this Rule 1014” the Exchange will amend the phrase to simply “this Rule.” The Exchange proposes to conform numbering and lettering in certain rules to the remainder of the Rulebook. Finally, the Exchange proposes to delete any current Rules that are reserved in the Rulebook and add new reserved rules where other Nasdaq Affiliated Exchanges may have a rule in use and there is no comparable rule on Phlx.

#### General 1

The Exchange proposes to relocate definitions from Rule 1 into proposed General 1, Section 1, except for the term “Options Exchange Official,” which will be relocated into proposed Options 1, Section 1.

#### General 2

General 2 would be comprised of the following rules:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Reserved
Section 2	Rule 52. Fees, Dues and Other Charges; Rule 924. Obligations of Members and Member Organizations to the Exchange; Rule 56. Effect of Suspension or Termination on Payment of Fees; and Rule 63. Effect of Suspension or Termination (re-titled “Fees, Dues and Other Charges”)
Section 3	Rule 651. Exchange’s Cost of Defending Legal Proceedings
Section 4	Rule 985. Affiliation of Ownership Restrictions
Section 5	Reserved
Section 6	Reserved
Section 7	Reserved
Section 8	Reserved
Section 9	Reserved

Section 10	Reserved
Section 11	Reserved
Section 12	Rule 926. The Exchange's Business Continuity and Disaster Recovery Plan Testing Requirements for Member Organizations and PSX Participants Pursuant to Regulation SCI (re-titled “Business Continuity and Disaster Recovery”)
Section 13	Reserved
Section 14	Rule 990. Additional Requirements for Securities Listed on the Exchange Issued by Nasdaq or its Affiliates
Section 15	Reserved
Section 16	Reserved
Section 17	Rule 1015. Accommodations
Section 18	Rule 57. Members' Contracts and Rule 58. Exchange Contracts (re-titled “Contracts”)
Section 19	Rule 59. Deliveries through Registered Clearing Agencies
Section 20	Rule 62. Disapproval of Business
Section 21	Rule 64. Office Vacated by Suspension or Termination
Section 22	Rule 1094. Sponsored Participants

The Exchange proposes to reserve those sections where Phlx does not have rules similar to other Nasdaq Affiliated Markets.

General 3

The Exchange proposes to relocate the following rules into General 3, “Membership and Access.”

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Rule 910. Qualification as Member Organization

Section 2	Rule 901. Denial of and Conditions to Membership
Section 3	Reserved
Section 4	Reserved
Section 5	Rule 900.2. Membership Applications
Section 6	Reserved
Section 7	Rule 600. Registration
Section 8	Rule 602. Status Verification
Section 9	Rule 900. Administration of Rules by Membership Department
Section 10	Rule 900.1. General Powers and Duties of Membership Department
Section 11	Rule 908. Rights and Privileges of A-1 Permits
Section 12	Rule 911. Member and Member Organization Participation
Section 13	Rule 921. Qualification; Designation of Executive Representative
Section 14	Rule 912. Transfer of Accounts
Section 15	Rule 922. Certificate of Incorporation
Section 16	Rule 923. Review of Membership Department Decisions

The Exchange proposes to delete Rule 900 as unnecessary given the new Rulebook organization structure. The Exchange proposes to delete current Rule 900.2(e) within proposed General 3, Section 5, because Rule 798 is currently reserved and that provision is no longer applicable.

General 9

The Exchange proposes to adopt a new General 9, titled “Regulation.” The Exchange proposes to relocate the following rules into General 9:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
---------------------------------	----------------------------

Section 1	Rule 765. Prohibition Against Trading Ahead of Customer Orders and Rule 782. Manipulative Operations (re-titled “General Standards”)
Section 2	Rule 741. Customers' Securities and Rule 771. Excessive Trading of Members (re-titled Customers’ Securities and Excessive Trading of Members”)
Section 3	Reserved
Section 4	Reserved
Section 5	Reserved
Section 6	Reserved
Section 7	Rule 783. Report of Financial Arrangements
Section 8	Reserved
Section 9	Reserved
Section 10	Rule 763. Recommendations to Customers (Suitability)
Section 11	Rule 764. Best Execution and Interpositioning
Section 12	Reserved
Section 13	Reserved
Section 14	Reserved
Section 15	Reserved
Section 16	Reserved
Section 17	Reserved
Section 18	Reserved
Section 19	Rule 754. Discretionary Power as to Customers' Accounts
Section 20	Rule 748. Supervision Rule
Section 21	761. Supervisory Procedures Relating to ITSFEA and to Prevention of Misuse of Material Nonpublic Information
Section 22	Reserved

Section 23	Reserved
Section 24	Reserved
Section 25	Rule 751. Accounts of Employees of Member Organizations
Section 26	Reserved
Section 27	Reserved
Section 28	Reserved
Section 29	Rule 749. Transactions for Employees of Exchange, etc. and Rule 750. Speculative Transactions for Employees of Certain Employers (re-titled “Transactions for Employees and Speculative Transactions for Employees of Certain Employers”)
Section 30	Reserved
Section 31	Reserved
Section 32	Reserved
Section 33	Reserved
Section 34	Reserved
Section 35	Rule 2040. Nonregistered Foreign Finders
Section 36	Reserved
Section 37	Reserved
Section 38	Reserved
Section 39	Rule 705. Fidelity Bonds
Section 40	Reserved
Section 41	Reserved
Section 42	Reserved
Section 43	Reserved
Section 44	Reserved
Section 45	Reserved
Section 46	Reserved
Section 47	Reserved
Section 48	Reserved

Section 50	Reserved
Section 51	Reserved
Section 52	Reserved
Section 53	Rule 774. Disruptive Quoting and Trading Activity Prohibited
Section 54	Rule 777. Guarantees Not Permitted
Section 55	Rule 601. Office, Other Than Main Offices
Section 56	Rule 602. Status Verification
Section 57	Rule 603. Control of Offices
Section 58	Rule 605. Advertisements, Market Letters, Research Reports and Sales Literature
Section 59	Rule 610. Notification of Changes in Business Operations
Section 60	Rule 625. Training
Section 61	Rule 704. Assignment of Interest of Partner
Section 62	Rule 745. Partial Payments
Section 63	Rule 746. Diligence as to Accounts
Section 64	Rule 747. Approval of Accounts
Section 65	Rule 752. Statements to Be Sent to Customers
Section 66	Rule 753. Notwithstanding Power of Attorney
Section 67	Rule 773. Participation in Joint Accounts
Section 68	Rule 784. Report of Options
Section 69	Rule 786. Periodic Reports
Section 70	Rule 796. Underwriting of Securities by Member Organizations

### Equities 7

The Exchange proposes to relocate Rule 607 titled “Covered Sales Fee” to Equities 7,

Equity Pricing at new proposed Section 5.<sup>4</sup> Also, Rule 2040, Nonregistered Foreign Finders, does not appear in PSX Rule 3202, this rule applies to equity products today. The Exchange believes its failure to be included within PSX Rule 3202 was an oversight and proposes to include this Rule within General 9.

Options 1

The Exchange proposes to rename current Options 1 from “Options Definitions” to “General Provisions.” The Exchange proposes to relocate definitions from Rule 1000, Applicability, Definitions and References, into proposed General 1, Section 1. The Exchange proposes not to relocate the terms “System Book Feed” and “System Securities” from Rule 1000 into Options 1, Section 1. The term “System Book Feed” is not utilized in the Rulebook currently. The term “System Securities” is only utilized within the definition of the term “System” at proposed Options 1, Section 1(a)(52) and within current Rule 911 which was relocated to General 2, Section 12. The term is simply replaced by referring to option series. The Exchange believes that replacing the term with the term “option series” will make the Rulebook clear. The Exchange also proposes to relocate the definition of “Option Exchange Official” which is currently located in General I, Section 1 into this section as this term relates to the trading of options.

Options 2

The Exchange proposes to rename Options 2 from “Options Trading Rules” to “Options Market Participants” and relocate the following rules into this chapter:

Proposed New Rule Number	Current Rule Number
--------------------------	---------------------

<sup>4</sup> Rule 607 is both an options and equities rule and is therefore being replicated in both Equity 7 and Options 7.

Section 1	Rule 507. Application for Approval as an SQT, RSQT, or RSQTO and Assignment in Options
Section 2	Reserved
Section 3	Rule 506. Allocation Application, Allocation, Reallocation, and Transfer; Rule 508. Transfer Application; and Rule 513. Voluntary Resignation of Options Privileges (re-titled “Allocation Application, Allocation, Reallocation, Transfer and Voluntary Resignation”)
Section 4	Rule 1014. Obligations of Market Makers (a-d)
Section 5	Rule 1081. Electronic Market Maker Obligations and Quoting Requirements
Section 6	Rule 1014. Obligations of Market Makers, subparagraph (e) only
Section 7	Rule 1022. Securities Accounts and Orders of Specialists and Registered Options Traders
Section 8	Reserved
Section 9	Rule 510. Good Standing for Specialist, SQT, and RSQT
Section 10	Rule 1068. Directed Orders
Section 11	Rule 501. Specialist Appointment
Section 12	Rule 1020. Registration and Functions of Options Specialists
Section 13	Rule 1036. Affiliated Persons Of Specialists
Section 14	Rule 175. Limitations on Options Market Making

The Exchange proposes to relocate a portion of a sentence from current Rule 1014(b) to Options 8, Section 11(b). The sentence provides, “...Exchange options transactions initiated by such Market Maker on the Trading Floor for any account in which he had an interest shall to the extent prescribed by the Exchange be in such assigned classes.” This sentence is being relocated into Options 8, Section 11 because it pertains to Floor Market Maker assignments. The remainder of current Rule 1014(b) was relocated to Options 3, Section 4(b).

Rule 452, “Limitations on Members' Trading Because of Customers' Orders” is being relocated into Options 8, Section 17.

Options 2A

The Exchange proposes to reserve Options Section 2A.

Options 3

The Exchange proposes to rename Options 3 from “Options Market Participants” to “Options Trading Rules” and relocate the following rules into this chapter:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Rule 101. Hours of Business
Section 2	Rule 1013. Units of Trading and Rule 1067. Precedence of Highest Bid and Lowest Offer (re-titled “Units of Trading”)
Section 3	Rule 1034. Minimum Increments
Section 4	Rule 1019. Entry and Display of Quotes
Section 5	Rule 1096. Entry and Display of Orders
Section 6	Rule 1082. Firm Quotations, except Rule 1082(a)(ii)(C)
Section 7	Rule 1080 Electronic Acceptance of Quotes and Orders
Section 8	Rule 1017. Openings In Options
Section 9	Rule 1047. Trading Halts
Section 10	Rule 1089. Electronic Execution Priority and Processing in the System and Rule 1035. Zero-Bid Option Series (this rule will remain titled “Electronic Execution Priority and Processing in the System”)
Section 11	Reserved
Section 12	Rule 1088. Qualified Contingent Cross Order (re-titled “Electronic Qualified Contingent Cross Order”)
Section 13	Rule 1087. Price Improvement XL (“PIXL”)

Section 14	Rule 1098(a)-(f) Complex Orders on the System (re-titled “Complex Orders”)
Section 15	Rule 1099. Risk Protections (re-titled “Simple Risk Protections)
Section 16	Rule 1098(g)- (j) to be titled “Complex Orders Risk Protections”
Section 17	Rule 1073. Kill Switch
Section 18	Rule 1074. Detection of Loss of Communication
Section 19	Rule 1090. Mass Cancellation of Trading Interest
Section 20	Rule 1092. Nullification and Adjustment of Options Transactions including Obvious Errors
Section 21	Rule 1016. Exchange Sharing of Phlx XL Participant-Designated Risk Settings (re-titled as “Access to and Conduct on Phlx”)
Section 22	Rule 1097. Limitations on Order Entry.
Section 23	Rule 1070. Data Feeds and Trade Information
Section 24	Rule 128. Price of Execution Binding
Section 25	Reserved
Section 26	Rule 1082(a)(ii)(C) to be titled “Message Traffic Mitigation”
Section 27	Rule 652. Limitation of Exchange Liability and Reimbursement of Certain Expenses
Section 28	Reserved

Options 4

The Exchange proposes to relocate rules within Options 4 Options Listing Rules as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Rule 1007. Designation Of Securities
Section 2	Rule 1008. Rights And Obligations Of Holders And Writers
Section 3	Rule 1009. Criteria for Underlying Securities/Rule 1011. Option Contracts To Be Traded

Section 4	Rule 1010. Withdrawal of Approval of Underlying Securities or Options
Section 5	Rule [sic]. Series of Options Open for Trading
Section 6	Reserved
Section 7	Reserved
Section 8	Reserved
Section 9	Reserved
Section 10	Rule 99. Backup Trading Arrangements
Section 11	Rule 1057. U.S. Dollar-Settled Foreign Currency Option Closing Settlement Value

Rule text within current Commentary .01(6) of Rule 1010, which provides, "...provided, however, that in the case of a Restructure Security approved for options listing and trading under paragraph (d) of Commentary .05 under Rule 1009, such trading volume requirements must be satisfied based on the trading volume history of the Restructure Security."

#### Options 4A

The Exchange proposes to relocate rules within new proposed Options 4A, which is proposed to be titled "Options Index Rules" as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Rule 1000A. Applicability and Definitions (paragraph (a))
Section 2	Rule 1000A. Applicability and Definitions (paragraph (b))
Section 3	Rule 1009A. Designation of the Index
Section 4	Reserved.
Section 5	Rule 1100A. Dissemination of Information
Section 6	Rule 1001A. Position Limits
Section 7	Reserved

Section 8	Reserved
Section 9	Reserved
Section 10	Rule 1002A. Exercise Limits
Section 11	Reserved
Section 12	Rule 1101A. Terms of Option Contracts
Section 13	Reserved
Section 14	Reserved
Section 15	Rule 1042A. Exercise of Option Contracts
Section 16	Reserved
Section 17	Rule 1006A. Other Restrictions on Options Transactions and Exercises
Section 18	Rule 1047A. Trading Rotations, Halts or Reopenings
Section 19	Rule 1102A. Limitation of Exchange Liability
Section 20	Rule 1105A. Standard & Poor's® Index
Section 21	Rule 1107A. Nasdaq, Inc. Indexes

The Exchange proposes to amend the rule text within Options 4A, Section 18(b) to remove the word “Specialist” and replace that word with “Exchange” and cite to the manual authority within current Rule 1047(b). The Exchange previously removed any functionality which permitted executions to be manually handled by a specialist.<sup>5</sup> An Options Exchange Official determines a manual trading halt.

#### Options 4B

---

<sup>5</sup> Manual execution by a specialist could previously occur in AUTOM, a prior exchange system. Specialist manual handling is obsolete. AUTOM and AUTO-X were replaced by Phlx XL, which is now defined as “System”. See Securities Exchange Act Release No. 50100 (July 27, 2004), 69 FR 46612 (August 3, 2004) (SR-Phlx-2003-59).

The Exchange proposes a new Options 4B, titled “Options on Treasury Securities.”

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Rule 1000D. Applicability of 1000D Series -Treasury Securities Options
Section 2	Rule 1001D. Definitions - Treasury Securities Options
Section 3	Rule 1002D. Position Limits - Treasury Securities Options
Section 4	Rule 1003D. Exercise Limits - Treasury Securities Options
Section 5	Rule 1004D. Reports Related to Position Limits and Liquidation of Positions - Treasury Securities Options
Section 6	Rule 1005D. Reports Related to Position Limits and Liquidation of Positions - Treasury Securities Options
Section 7	Rule 1006D. Criteria for Securities Underlying Treasury Securities Options
Section 8	Rule 1007D. Withdrawal of Approval of Underlying Treasury Securities or Options
Section 9	Rule 1008D. Terms of Treasury Securities Options
Section 10	Rule 1009D. Series of Treasury Securities Options Open for Trading
Section 11	Rule 1010D. Days and Hours of Business of Treasury Securities Options
Section 12	Rule 1011D. Trading Rotations - Treasury Securities Options
Section 13	Rule 1012D. Trading Halts and Suspension of Trading, Obvious and Catastrophic Errors - Treasury Securities Options
Section 14	Rule 1013D. Minimum Increment and Meaning of Premium Bids and Offers for Treasury Securities Options
Section 15	Rule 1014D. Specialist and Registered Option Trader Obligations and Electronic Trading - Treasury Securities Options
Section 16	Rule 1015D. Accommodation Trading - Treasury Securities Options
Section 17	Rule 1016D. Reconciliation of Unmatched Trades - Treasury Securities Options
Section 18	Rule 1018D. Limit Book for Treasury Securities Options
Section 19	Rule 1019D. Bid / Ask Differentials - Treasury Securities Options
Section 20	Rule 1020D. Allocation of Exercise Assignment Notices - Treasury Securities Options

Section 21	Rule 1021D. Delivery and Payment - Treasury Securities Options
Section 22	Rule 1022D. Margin Requirements - Treasury Securities Options
Section 23	Rule 1023D. Furnishing of Books, Records and Other Information - Treasury Securities Options
Section 24	Rule 1024D. Communication Links - Treasury Securities Options
Section 25	Rule 1025D. Doing Business With the Public - Treasury Securities Options

### Options 5

The Exchange proposes to rename Options 5 from “Options Trade Administration” to “Order Protection and Locked and Crossed Markets” and relocate rules within Options 5 as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Rule 1083. Order Protection; Locked and Crossed Markets
Section 2	Rule 1084. Order Protection
Section 3	Rule 1086. Locked and Crossed Markets
Section 4	Rule 1093. Away Markets and Order Routing (re-titled “Order Routing”)
Section 5	Rule 1091. Cancellation of Orders and Error Account

### Options 6

The Exchange proposes rename Options 6 from “Order Protection and Locked and Cross Markets” to “Options Trade Administration” and relocate rules within Options 6 as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Rule 1037. Authorization to Give Up
Section 2	Rule 1052. Responsibility Of Clearing Members For Exchange Options Transactions
Section 3	Rule 1051. General Comparison And Clearance Rule

Section 4	Reserved
Section 5	Rule 1058. Transfer of Positions
Section 6	Rule 1045. Off-Exchange RWA Transfers
Section 7	Rule 1059. In-Kind Exchange of Options Positions and ETF Shares
Section 8	Rule 1046. Clearing Arrangements
Section 9	Rule 1048. Stock Transfer Tax
Section 10	Rule 1053. Filing Of Trade Information
Section 11	Rule 1054. Verification Of Trades And Reconciliation Of Uncompared Trades
Section 12	Rule 1055. Reporting Of Compared Trades To Options Clearing Corporation
Section 13	Rule 1056. Maintaining Office And Filing Signatures

Options 6A

The Exchange proposes to relocate rules within new proposed Options 6A titled “Closing Transactions” as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Rule 1041. Options Contracts Of Suspended Members
Section 2	Rule 1040. Failure To Pay Premium

Options 6B

The Exchange proposes to relocate rules within new proposed Options 6B titled “Exercises and Deliveries” as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Rule 1042. Exercise Of Equity Option Contracts
Section 2	Rule 1043. Allocation of Exercise Notices

Section 3	Rule 1044. Delivery and Payment
-----------	---------------------------------

Options 6C

The Exchange proposes to relocate rules within new proposed Options 6C titled “Margins” as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Reserved
Section 2	Reserved
Section 3	Rule 721. Proper and Adequate Margin
Section 4	Reserved
Section 5	Reserved
Section 6	Reserved
Section 7	Rule 723. Prohibition on Free-Riding in Cash Accounts

Options 6D

The Exchange proposes to relocate rules within new proposed Options 6D titled “Net Capital Requirements” as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Rule 703. Financial Responsibility and Reporting
Section 2	Reserved
Section 3	Reserved
Section 4	Reserved

Options 6E

The Exchange proposes to relocate rules within new proposed Options 6E titled “Records, Reports and Audits” as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Rule 760. Maintenance, Retention and Furnishing of Books, Records and Other Information
Section 2	Rule 1003. Reporting Of Options Positions
Section 3	Reserved
Section 4	Rule 712. Independent Audit
Section 5	Rule 785. Automated Submission of Trading Data
Section 6	Reserved
Section 7	Rule 980. Regulatory Services Agreements
Section 8	Reserved
Section 9	Reserved

The commentary section in Rule 760 has been relocated to Options 6E, Section 1(b).

#### Options 7

The Exchange proposes to relocate Rule 607 titled “Covered Sales Fee to Options 7, Options Pricing, at new proposed Section 12.<sup>6</sup>

#### Options 8

Rule 110, “Bids and Offers –Manners,” Rule 119, “Precedence of Highest Bid” and Rule 120, “Precedence of Offers at Same Price” are being relocated within the Supplementary Material to Options 8, Section 24, “Bids and Offers – Premium”.

The Exchange proposes to remove references to Rule 723 as this rule no longer exists.

---

<sup>6</sup> Rule 607 is both an options and equities rule and is therefore being replicated in both Equity 7 and Options 7.

The Exchange also proposes to remove obsolete rule text at the end of Options 8, Section 39 at C-2, Options Floor Based Management System, which provides, “*The Exchange anticipates that it will implement the Snapshot feature referenced herein and described further in Options 8, Section 28(e) during the Fourth Quarter of 2017. 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 Snapshot will be available for use.*”

Options 9

The Exchange proposes to relocate rules within new proposed Options 9 titled “Business Conduct” as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Rule 707. Conduct Inconsistent with Just and Equitable Principles of Trade
Section 2	Reserved
Section 3	Reserved
Section 4	Reserved
Section 5	Rule 708. Acts Detrimental to the Interest or Welfare of the Exchange
Section 6	Reserved
Section 7	Reserved
Section 8	Reserved
Section 9	Reserved
Section 10	Reserved
Section 11	Reserved
Section 12	Reserved
Section 13	Rule 1001. Position Limits

Section 14	Reserved
Section 15	Rule 1002. Exercise Limits
Section 16	Reserved
Section 17	Rule 1004. Liquidation Of Positions
Section 18	Rule 1005. Limit On Uncovered Short Positions
Section 19	Rule 1006. Other Restrictions on Exchange Options Transactions and Exercises
Section 20	Reserved
Section 21	Rule 757. Anti-Money Laundering Compliance Program
Section 22	Reserved
Section 23	Reserved
Section 24	Rule 1050. Violation Of By-Laws And Rules Of Options Clearing Corporation

### Options 10

The Exchange proposes to relocate rules within new proposed Options 10 titled “Doing Business with the Public” as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Reserved
Section 2	Rule 1024. Conduct of Accounts for Options Trading subparagraph (a) (re-titled “Registration of Options Principals”)
Section 3	Reserved
Section 4	Reserved
Section 5	Reserved
Section 6	Rule 1024. Conduct of Accounts for Options Trading subparagraph (b) (re-titled “Opening of Accounts”)
Section 7	Rule 1025. Supervision of Accounts

Section 8	Rule 1026. Suitability
Section 9	Rule 1027. Discretionary Accounts
Section 10	Rule 1028. Confirmations and Complaints subparagraph (a) (re-titled “Confirmations to Customers”)
Section 11	Rule 1032. Statements of Accounts
Section 12	Reserved
Section 13	Rule 1029. Delivery of Options Disclosure Documents
Section 14	Rule 742. Restrictions on Pledge of Customers' Securities
Section 15	Reserved
Section 16	Reserved
Section 17	Reserved
Section 18	Reserved
Section 19	Reserved
Section 20	Rule 1049. Options Communications
Section 21	Reserved
Section 22	Rule 1028. Confirmations and Complaints subparagraph (b) (re-titled “Customer Complaints”)
Section 23	Rule 762. Telemarketing
Section 24	Rule 1030. Transactions With Issuers
Section 25	Rule 1031. Restricted Stocks

The Exchange proposes to reserve Options 10, Sections 24 and 25. The Commentary section in Phlx Rules 1027 is being relocated to Section (f) within Options 10, Section 9. The Commentary section in Phlx Rules 1028 is being relocated to Section (f) within Options 10, Section 22.

## Options 11

Finally, the Exchange proposes to relocate the Options Minor Rule Violations into Options 11 titled “Minor Rule Plan Violations” as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	A-1 Specialist as ROT
Section 2	F-1 Option Quote Parameters
Section 3	F-2 Failure to Comply with an Exchange Inquiry
Section 4	F-3 Affiliations
Section 5	F-4 Unusual Market Conditions
Section 6	F-5 Supervisory Procedures Relating to ITSFEA
Section 7	F-6 Minor Infractions of Position/Exercise Limits and Hedge Exemptions
Section 8	F-7 Clearing Agents' Responsibility for Carrying Positions in Market Maker Accounts
Section 9	F-8 Options Exchange Official Rulings
Section 10	F-9 Failure to Provide Notification of Changes in Business Operations
Section 11	F-10 Failure to Timely Submit Amendments to Form U4, Form U5 and Form BD
Section 12	F-11 Violations of Exercise and Exercise Advice Rules for Noncash-Settled Equity Option Contracts
Section 13	G-1 Index Option Exercise Advices

## PSX Rules<sup>7</sup>

Rule 133, “Trading Halts Due to Extraordinary Market Volatility” is being relocated to new PSX Rule 3101 as this rule is solely an equities rule. Rule 652, “Limitation of Exchange

<sup>7</sup> PSX Rule 3202 currently notes rules which are incorporated by reference into PSX Rules. The rules within this section which are being relocated are currently part of the PSX Rules today.

Liability and Reimbursement of Certain Expenses” is being relocated into new PSX Rule 3102.<sup>8</sup> Rule 103, “Dealings on the Exchange – Securities” is being relocated to new PSX Rule 3400. Rule 112, “Bids and Offers – “When Issued”” is being relocated to new PSX Rule 3401. Rule 128, “Price of Execution Binding” is being relocated to new PSX Rule 3402.<sup>9</sup> Rule 274, “Payment on Delivery—Collect on Delivery” is being relocated to new PSX Rule 3403.<sup>10</sup> Rule 279, “Book-Entry Settlement” is being relocated to new PSX Rule 3404. Rule 431, “Ex-dividend, Ex-rights” is being relocated into new PSX Rule 3405. Rule 432, “Ex-warrants” is being relocated into new PSX Rule 3406. Rule 433, “Buyer Entitled to Dividend, etc.” is being relocated into new PSX Rule 3407. Rule 434, “Claims for Dividend, etc.” is being relocated into new PSX Rule 3408. Rule 451, “Taking or Supplying Securities Named in Order” is being relocated into new PSX Rule 3409. Rule 452, “Limitations on Members' Trading Because of Customers' Orders” is being relocated into new PSX Rule 3410.<sup>11</sup> Rule 453, “Successive Transactions by Members” is being relocated into new PSX Rule 3411. Rule 455, “Short Sales” is being relocated into new PSX Rule 3412. Rule 721, “Proper and Adequate Margin” is being relocated into new PSX Rule 3413.<sup>12</sup> Rule 723, “Prohibition on Free-Riding in Cash Accounts”

---

<sup>8</sup> Rule 652 is also being replicated into Options 3, Section 27 as this rule applies to both equities and options.

<sup>9</sup> Rule 128 is being replicated within Options 3, Section 24 and also within the PSX Rules as this rule applies to both equities and options.

<sup>10</sup> The Exchange is eliminating rule text related to the effective date of the rule. This language is obsolete. The Supplementary Material is being relocated to the main body of the Rule.

<sup>11</sup> Rule 452, “Limitations on Members’ Trading Because of Customers’ Orders” is also being relocated into Options 8, Section 17. The Supplementary Material is being relocated to the main body of the Rule.

<sup>12</sup> Rule 721 is being replicated within Options 6C, Section 3 and also within the PSX Rules as this rule applies to both equities and options.

is being relocated into new PSX Rule 3414.<sup>13</sup> Rule 703, “Financial Responsibility and Reporting” is being relocated into new PSX Rule 3500.<sup>14</sup> Rule 712, “Independent Audit” is being relocated into new PSX Rule 3501.<sup>15</sup> Rule 785, “Automated Submission of Trading Data” is being relocated into new PSX Rule 3502.<sup>16</sup> Rule 707, “Conduct Inconsistent with Just and Equitable Principles of Trade” is being relocated into Rule 3503.<sup>17</sup> Rule 708, “Acts Detrimental to the Interest or Welfare of the Exchange” is being relocated into Rule 3504.<sup>18</sup> Rule 742, “Restrictions on Pledge of Customers’ Securities” is being relocated into new PSX Rule 3505.<sup>19</sup> Rule 757, “Anti-Money Laundering Compliance Program” is being relocated into new PSX Rule 3506.<sup>20</sup> Rule 762, “Telemarketing” is being relocated into new PSX Rule 3507.<sup>21</sup> Rule 980, “Regulatory Services Agreements” is being relocated into new PSX Rule 3600.<sup>22</sup>

The Exchange also proposes to amend PSX Rule 3202 to remove rules that: (1) have

- 
- <sup>13</sup> Rule 723 is being replicated within Options 6C, Section 7 and also within the PSX Rules as this rule applies to both equities and options.
- <sup>14</sup> Rule 703 is being replicated within Options 6D, Section 1 and also within the PSX Rules as this rule applies to both equities and options.
- <sup>15</sup> Rule 712 is being replicated within Options 6E, Section 4 and also within the PSX Rules as this rule applies to both equities and options.
- <sup>16</sup> Rule 785 is being replicated within Options 6E, Section 5 and also within the PSX Rules as this rule applies to both equities and options.
- <sup>17</sup> Rule 707 is being replicated within Options 9, Section 1 and also within the PSX Rules as this rule applies to both equities and options.
- <sup>18</sup> Rule 708 is being replicated within Options 9, Section 5 and also within the PSX Rules as this rule applies to both equities and options.
- <sup>19</sup> Rule 742 is being replicated within Options 10, Section 14 and also within the PSX Rules as this rule applies to both equities and options.
- <sup>20</sup> Rule 757 is being replicated within Options 9, Section 21 and also within the PSX Rules as this rule applies to both equities and options.
- <sup>21</sup> Rule 762 is being replicated within Options 10, Section 23 and also within the PSX Rules as this rule applies to both equities and options.
- <sup>22</sup> Rule 980 is being replicated within Options 6E, Section 7 and also within the PSX Rules as this rule applies to both equities and options.

been relocated into a general section and are therefore applicable to equities; (2) have been relocated into the PSX Rules or Equity 7; (3) which are reserved rules; and (4) remove references to Rule 623 (Fingerprinting), Rule 722 (Miscellaneous Securities Margin Accounts) and Rule 772 (Trading for Joint Account) as these rules do not exist in the Phlx Rulebook.

### Equity Titles

The Exchange proposes to amend the current titles of Equity 2, 3, 4 and 7. The Exchange proposes to rename Equity 2, from “Equity Trading Rules” to “Equity Market Participants.” The Exchange proposes to rename Equity 3 from “Equity Market Participants” to “Equity Trading Rules.” The Exchange proposes to rename Equity 4 from “Equity Listing Rules” to “Limit Up-Limit Down”. Finally, the Exchange proposes to reserve Equity 6 which is currently titled “Limit Up-Limit Down.”

### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>23</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>24</sup> in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest by bringing greater transparency to its rules by relocating its Rules into the new Rulebook shell together with other rules which have already been relocated. The Exchange’s proposal is consistent with the Act and will protect investors and the public interest by harmonizing its rules, where applicable, across Nasdaq markets so that members can readily locate rules which cover similar topics. The relocation and harmonization of the Phlx Rules is part of the Exchange’s continued effort to promote efficiency and conformity of its processes with those of its Affiliated Exchanges. The Exchange believes that the placement of the Phlx

---

<sup>23</sup> 15 U.S.C. 78f(b).

<sup>24</sup> 15 U.S.C. 78f(b)(5).

Rules into their new location in the shell will facilitate the use of the Rulebook by members. Specifically, the Exchange believes that market participants that are members of more than one Nasdaq market will benefit from the ability to compare Rulebooks.

The Exchange is not substantively amending rule text unless noted otherwise within this rule change. The renumbering, re-lettering, deleting reserved rules, amending cross-references and other minor technical changes will bring greater transparency to Phlx's Rules. The Exchange intends to file other rule change to relocate Affiliated Exchange Rulebooks to relocate corresponding rules into the same location in each Rulebook for ease of reference. The Exchange believes its proposal will benefit investors and the general public by increasing the transparency of its Rulebook and promoting easy comparisons among the various Nasdaq Rulebooks.

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 believes that the proposed amendments do not impose an undue burden on competition because the amendments to relocate the Rules are non-substantive. This rule change is intended to bring greater clarity to the Exchange's Rules. Renumbering, re-lettering, deleting reserved rules and amending cross-references will bring greater transparency to Phlx's Rules.

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) of the Act<sup>25</sup> and Rule 19b-4(f)(6) thereunder.<sup>26</sup>

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act<sup>27</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)<sup>28</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay so that the Exchange could immediately relocate its rules. According to the Exchange, the proposal is intended to make it easier for members to locate the various Exchange rules, and is part of a larger effort to reorganize the Exchange's rules and those of its Affiliated Exchanges. For these reasons, the Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.<sup>29</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

---

<sup>25</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>26</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) 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>27</sup> 17 CFR 240.19b-4(f)(6).

<sup>28</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>29</sup> For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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 change 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 (<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-2020-03 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-2020-03. 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-2020-03, 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>30</sup>

Jill M. Peterson  
Assistant Secretary

---

<sup>30</sup> 17 CFR 200.30-3(a)(12).