

1. Text of the Proposed Rule Change

(a) Nasdaq Phlx LLC (“Phlx” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend Options 1, Section 1, Applicability, Definitions and References, to amend the definitions of “class” and “series”.

A notice of the proposed rule change for publication in the Federal Register is attached as Exhibit 1.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors (the “Board”). Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

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

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

a. Purpose

The Exchange proposes to amend Options 1, Section 1, Applicability, Definitions and References.

The Exchange proposes to amend the definition of class at Options 1, Section 1(b)(9) to align the definition of class which currently states,

The term “class” means, when applied to options, all option contracts of the same type and style covering the same underlying interest; provided, however, that OTC options and listed options that would otherwise constitute a single class of options shall constitute separate classes. When applied to futures, the term “class” means all futures covering the same underlying interest.

The Exchange proposes to amend the defined term “class” to “class of options” and align the defined term to the description of “class of options” on Nasdaq ISE, LLC (“ISE”), Nasdaq GEMX, LLC (“GEMX”), and Nasdaq MRX, LLC (“MRX”) at Options 1, Section 1(a)(8). As proposed, a “class of options” means all options contracts covering the same underlying security.

The current definition of class corresponds to the definition as used when options trading began on the Exchange in the 1970s. However, as options trading grew, the term class became understood to include both puts and calls. This is consistent with current industry use of the term “class” and use of the term class throughout the Exchange’s Rules. Because a class is generally understood to include both puts and calls, which are types of series, not separate classes, the current definition of class is outdated. As described above, options with the same exercise price and expiration date that are puts constitute one series, and options with the same exercise price and expiration date that are

calls constitute another series. This is also the case for options classes with different styles (i.e., American or European).³ Options with different styles are considered to be one class. The proposed definition is a more accurate definition of what options constitute a class today on the Exchange.

Additionally, the Exchange notes that the rule text related to OTC options and listed options which provides, "...provided, however, that OTC options⁴ and listed options that would otherwise constitute a single class of options shall constitute separate classes" is being removed because the Exchange's options rules apply to listed options only. The Exchange's options rules do not mention OTC options except with respect to equity option hedge exemptions in Options 9, Section 13(l). There is no necessity to describe OTC options in the definition of class as the Exchange's listing and trading and other options rules apply to listed options only which overlie securities. Further, the Exchange notes that the rule text related to futures which provides, "[w]hen applied to futures, the term "class" means all futures covering the same underlying interest" is being removed because the Exchange's options rules do not apply to futures. While futures are mentioned in contexts that apply to related instruments, Phlx's listing and trading and other options rules apply to listed options only which overlie securities. The Exchange believes there is no necessity to retain this language.

³ The term "American Option" or "American Style Option" mean an option contract that may be exercised at any time from its commencement until its expiration. See Options 1, Section 1(b)(3). The term "European Option" or "European Style Option" mean an option contract that can be exercised only on the day it expires. See Phlx Options 1, Section 1(b)(15).

⁴ An OTC option contract is defined as an option contract that is not listed on a National Securities Exchange or cleared at The Options Clearing Corporation. See Phlx Options 9, Section 13(l)(9).

This proposed rule change would harmonize Phlx's definition to ISE, GEMX and MRX.⁵ Further, the Miami International Securities Exchange, LLC ("MIAX"), MEMX LLC ("MEMX"), Cboe Exchange, Inc. ("Cboe"), and NYSE Arca, Inc. ("NYSE Arca") all have definitions for class of options that are substantially similar.⁶

The Exchange also proposes to amend the definition of series at Options 1, Section 1(b)(51) to align the definition of series which currently states,

The term "series," when used in respect of options, means all option contracts of the same class and having otherwise identical terms including exercise price (or, in the case of delayed start option contracts that do not yet have a set exercise price, the same exercise price setting formula and exercise price setting date), expiration date, unit of trading and, in the case of futures options or commodity options, series marker if any; and when used in respect of futures, means all futures of the same class having identical terms, including the same maturity date and series marker, if any.

The Exchange proposes to amend the defined term "series" to "series of options" and align the defined term to the description of "series of options" on ISE at Options 1, Section 1(a)(47), GEMX and MRX at Options 1, Section 1(a)(46). As proposed, a "series of options" means all options contracts of the same class having the same exercise price and expiration date. Series of options consists of options of the same type. This is consistent with current industry use of the term "series" and use of the term series throughout the Exchange's Rules. The proposed text would create a more accurate definition of what options constitute a series today on the Exchange.

⁵ See ISE, GEMX and MRX Options 1, Section 1(a)(8).

⁶ MIAX's Rule 100 provides that the terms "class of options" or "option class" mean all option contracts covering the same underlying security. MEMX Rule 16.1 provides that the terms "class" or "class of options" mean all options contracts with the same unit of trading covering the same underlying security or index. Cboe Rule 1.1 provides that the term "class" means all option contracts with the same unit of trading covering the same underlying security or index. NYSE Arca Rule 1.1 provides that the term "class of options" or "class" means all series of options, both puts and calls, overlying the same underlying security.

Additionally, the Exchange is removing the reference to delayed start option contracts in the rule text which provides, “...(or, in the case of delayed start option contracts that do not yet have a set exercise price, the same exercise price setting formula and exercise price setting date)” as that language is not relevant. Today, Phlx’s options rules do not reference delayed start option contracts. The Exchange notes that OCC’s By-Laws defines the term “delayed start option” to mean “an option that at the commencement of trading does not have an exercise price but instead has an exercise price setting formula pursuant to which the exercise price will be fixed on the exercise price setting date for the series of delayed start option” at Article 1, Section 1 of the OCC’s By-Laws. Phlx does not define a similar term in its options rules or utilizing such options. For these reasons, that parenthetical is being eliminated.

This proposed rule change would harmonize Phlx’s definition to ISE at Options 1, Section 1(a)(47), GEMX and MRX at Options 1, Section 1(a)(46). The proposed change would be similar to definitions for series of options at MIAX, MEMX, Cboe, and NYSE Arca.⁷

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the

⁷ MIAX’s Rule 100 provides that the term “series of options” means all option contracts of the same class having the same exercise price and expiration date. MEMX Rule 16.1 provides that the terms “series” or “series of options” mean all options contracts of the same class that are the same type of options and have the same exercise price and expiration date. Cboe Rule 1.1 provides that the terms “series” and “series of options” mean all option contracts of the same class that are the same type of option and have the same exercise price and expiration date. NYSE Arca Rule 1.1 provides that the term “series of options,” “options series,” or “series” means all options contracts of the same class of options having the same expiration date and expiration price, and the same unit of trading.

Act,⁸ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁹ 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.

Amending the definition of “class” at Options 1, Section 1(b)(9) and the definition of “series” at Options 1, Section 1(b)(51) is consistent with the Act as the new terms will provide a more accurate description of these terms that is consistent with current industry use and use of the terms throughout the Exchange’s Rules. A class is generally understood to include both puts and calls, which are types of series, not separate classes, the current definition of class is outdated. Also, options with different styles are considered to be the same class. Removing references to OTC is consistent with the Act because the Exchange’s options rules apply to listed options only. The Exchange’s options rules do not mention OTC options except with respect to equity option hedge exemptions in Options 9, Section 13(l). There is no necessity to describe OTC options in the definition of class as the Exchange’s listing and trading and other options rules apply to listed options only which overlie securities. Further, removing references to futures is consistent with the Act because the Exchange’s options rules do not apply to futures. While futures are mentioned in contexts that apply to related instruments, Phlx’s listing and trading and other options rules apply to listed options only which overlie securities. The Exchange believes there is no necessity to retain this language. This proposed rule change would harmonize Phlx’s definition to ISE, GEMX

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

and MRX.¹⁰ Further, MIAIX, MEMX, Cboe, and NYSE Arca all have definitions for class of options that are substantially similar.¹¹

The Exchange proposes to amend the defined term “series” to “series of options” and align the defined term to the description of “series of options” on ISE at Options 1, Section 1(a)(47), GEMX and MRX at Options 1, Section 1(a)(46) is consistent with the Act. As proposed, a “series of options” means all options contracts of the same class having the same exercise price and expiration date. Series of options consists of options of the same type. This is consistent with current industry use of the term “series” and use of the term series throughout the Exchange’s Rules. The proposed text would create a more accurate definition of what options constitute a series today on the Exchange. Removing references to delayed start option contracts in the rule text is consistent with the Act because that language is not relevant. Today, Phlx’s options rules do not reference delayed start option contracts. The Exchange notes that OCC’s By-Laws defines the term “delayed start option” to mean “an option that at the commencement of trading does not have an exercise price but instead has an exercise price setting formula pursuant to which the exercise price will be fixed on the exercise price setting date for the series of delayed start option” at Article 1, Section 1 of the OCC’s By-Laws. Phlx does not define a similar term in its options rules or utilizing such options. For these reasons, that parenthetical is being eliminated. This proposed rule change would harmonize

¹⁰ See ISE, GEMX and MRX Options 1, Section 1(a)(8).

¹¹ MIAIX’s Rule 100 provides that the terms “class of options” or “option class” mean all option contracts covering the same underlying security. MEMX Rule 16.1 provides that the terms “class” or “class of options” mean all options contracts with the same unit of trading covering the same underlying security or index. Cboe Rule 1.1 provides that the term “class” means all option contracts with the same unit of trading covering the same underlying security or index. NYSE Arca Rule 1.1 provides that the term “class of options” or “class” means all series of options, both puts and calls, overlying the same underlying security.

Phlx's definition to ISE at Options 1, Section 1(a)(47), GEMX and MRX at Options 1, Section 1(a)(46). The proposed change would be similar to definitions for series of options at MIAX, MEMX, Cboe, and NYSE Arca.¹²

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

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

The Exchange's proposal to amend the definition of "class" at Options 1, Section 1(b)(9) and the definition of "series" at Options 1, Section 1(b)(51) do not impose an undue burden on intra-market competition as the use of these terms would apply uniformly to all Phlx member organizations.

The Exchange's proposal to amend the definition of "class" at Options 1, Section 1(b)(9) does not impose an undue burden on intermarket competition as other exchanges have similar definitions.¹³ The Exchange's proposal to amend the definition of "series" at Options 1, Section 1(b)(51) does not impose an undue burden on intermarket

¹² MIAX's Rule 100 provides that the term "series of options" means all option contracts of the same class having the same exercise price and expiration date. MEMX Rule 16.1 provides that the terms "series" or "series of options" mean all options contracts of the same class that are the same type of options and have the same exercise price and expiration date. Cboe Rule 1.1 provides that the terms "series" and "series of options" mean all option contracts of the same class that are the same type of option and have the same exercise price and expiration date. NYSE Arca Rule 1.1 provides that the term "series of options," "options series," or "series" means all options contracts of the same class of options having the same expiration date and expiration price, and the same unit of trading.

¹³ ISE, GEMX and MRX definitions of "class of options" at Options 1, Section 1(a)(8) are identical. Also, MIAX, MEMX, Cboe, and NYSE Arca, Inc. all have definitions for class of options that are substantially similar. MIAX's Rule 100 provides that the terms "class of options" or "option class" mean all option contracts covering the same underlying security. MEMX Rule 16.1 provides that the terms "class" or "class of options" mean all options contracts with the same unit of trading covering the same underlying security or index. Cboe Rule 1.1 provides that the term "class" means all option contracts with the same unit of trading covering the same underlying security or index. NYSE Arca Rule 1.1 provides that the term "class of options" or "class" means all series of options, both puts and calls, overlying the same underlying security.

competition as other exchanges have similar definitions.¹⁴

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not applicable.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)¹⁵ of the Act and Rule 19b-4(f)(6) thereunder¹⁶ in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange's proposal does not significantly affect the protection of investors or the public interest, because amending the definition of "class" at Options 1, Section

¹⁴ ISE, GEMX and MRX definitions of "series of options" at ISE at Options 1, Section 1(a)(47), GEMX and MRX at Options 1, Section 1(a)(46) are identical. Also, MIAX, MEMX, Cboe, and NYSE Arca, Inc. all have definitions for series of options that are substantially similar. MIAX's Rule 100 provides that the term "series of options" means all option contracts of the same class having the same exercise price and expiration date. MEMX Rule 16.1 provides that the terms "series" or "series of options" mean all options contracts of the same class that are the same type of options and have the same exercise price and expiration date. Cboe Rule 1.1 provides that the terms "series" and "series of options" mean all option contracts of the same class that are the same type of option and have the same exercise price and expiration date. NYSE Arca Rule 1.1 provides that the term "series of options," "options series," or "series" means all options contracts of the same class of options having the same expiration date and expiration price, and the same unit of trading.

¹⁵ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁶ 17 CFR 240.19b-4(f)(6).

1(b)(9) and the definition of “series” at Options 1, Section 1(b)(51) will provide a more accurate description of these terms that is consistent with current industry use and use of the terms throughout the Exchange’s Rules. A class is generally understood to include both puts and calls, which are types of series, not separate classes, the current definition of class is outdated. Removing references to OTC is consistent with the Act because the Exchange’s rules apply to listed options only. The Exchange’s rules do not mention OTC options except with respect to equity option hedge exemptions in Options 9, Section 13(l). There is no necessity to describe OTC options in the definition of class as the Exchange’s listing and trading and other rules apply to listed options only which overlie securities. Further, removing references to futures is consistent with the Act because the Exchange’s rules do not apply to futures. While futures are mentioned in contexts that apply to related instruments, Phlx’s listing and trading and other rules apply to listed options only which overlie securities. The Exchange believes there is no necessity to retain this language. This proposed rule change would harmonize Phlx’s definition to ISE, GEMX and MRX.¹⁷ Further, MIAX, MEMX, Cboe, and NYSE Arca all have definitions for class of options that are substantially similar.¹⁸ The Exchange proposes to amend the defined term “series” to “series of options” and align the defined term to the description of “series of options” on ISE at Options 1, Section 1(a)(47), GEMX and MRX at Options 1, Section 1(a)(46) does not significantly affect the protection of

¹⁷ See ISE, GEMX and MRX Options 1, Section 1(a)(8).

¹⁸ MIAX’s Rule 100 provides that the terms “class of options” or “option class” mean all option contracts covering the same underlying security. MEMX Rule 16.1 provides that the terms “class” or “class of options” mean all options contracts with the same unit of trading covering the same underlying security or index. Cboe Rule 1.1 provides that the term “class” means all option contracts with the same unit of trading covering the same underlying security or index. NYSE Arca Rule 1.1 provides that the term “class of options” or “class” means all series of options, both puts and calls, overlying the same underlying security.

investors or the public interest. As proposed, a “series of options” means all options contracts of the same class having the same exercise price and expiration date. Series of options consists of options of the same type. This is consistent with current industry use of the term “series” and use of the term series throughout the Exchange’s Rules. The proposed text would create a more accurate definition of what options constitute a series today on the Exchange. Removing references to delayed start option contracts in the rule text is consistent with the Act because that language is not relevant. Today, Phlx’s rules do not reference delayed start option contracts. The Exchange notes that OCC’s By-Laws defines the term “delayed start option” to mean “an option that at the commencement of trading does not have an exercise price but instead has an exercise price setting formula pursuant to which the exercise price will be fixed on the exercise price setting date for the series of delayed start option” at Article 1, Section 1 of the OCC’s By-Laws. Phlx does not define a similar term in its rules or utilizing such options. For these reasons, that parenthetical is being eliminated. This proposed rule change would harmonize Phlx’s definition to ISE at Options 1, Section 1(a)(47), GEMX and MRX at Options 1, Section 1(a)(46). The proposed change would be similar to definitions for series of options at MIAX, MEMX, Cboe, and NYSE Arca.¹⁹

¹⁹ MIAX’s Rule 100 provides that the term “series of options” means all option contracts of the same class having the same exercise price and expiration date. MEMX Rule 16.1 provides that the terms “series” or “series of options” mean all options contracts of the same class that are the same type of options and have the same exercise price and expiration date. Cboe Rule 1.1 provides that the terms “series” and “series of options” mean all option contracts of the same class that are the same type of option and have the same exercise price and expiration date. NYSE Arca Rule 1.1 provides that the term “series of options,” “options series,” or “series” means all options contracts of the same class of options having the same expiration date and expiration price, and the same unit of trading.

The Exchange's proposal does not impose an undue burden on competition as the definitions of "series of options" and "class of options" would apply uniformly to all member organizations.

Furthermore, Rule 19b-4(f)(6)(iii)²⁰ requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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

The Exchange's proposal to amend the definition of "class" at Options 1, Section 1(b)(9) would align the rule text identically to ISE, GEMX and MRX definitions of "class of options" at Options 1, Section 1(a)(8). The Exchange's proposal to amend the definition of "series" at Options 1, Section 1(b)(51) would align the rule text identically to ISE, GEMX and MRX definitions of "series of options" at ISE at Options 1, Section 1(a)(47), GEMX and MRX at Options 1, Section 1(a)(46).

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

Not Applicable.

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

Not Applicable.

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.

5. Rule text of proposed rules.

²⁰ 17 CFR 240.19b-4(f)(6)(iii).