SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103781; File No. SR-Phlx-2025-39]

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Permit Customer Cross Orders and Complex Customer Cross Orders as a Remote FBMS Transaction

August 27, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on August 14, 2025, Nasdaq PHLX LLC ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items II and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I.   Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Options 3, Section 8, Options Opening Process; Options 3, Section 9, Trading Halts; Options 3, Section 10, Electronic Execution Priority and Processing in the System; Options 3, Section 14, Complex Orders; Options 5, Section 4, Order Routing; Options 8, Section 2, Definitions; Options 8, Section 30, Crossing, Facilitation and Solicited Orders; Options 8, Section 32, Types of Floor-Based (Non-System) Orders; and Options 8, Section 34, FLEX Index, Equity, and Currency Options in connection with a technology migration.

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[1]   15 U.S.C. 78s(b)(1).

[2]   17 CFR 240.19b-4.

The text of the proposed rule change is available on the Exchange's Website at

https://listingcenter.nasdaq.com/rulebook/phlx/rulefilings and at the principal office of the

Exchange.

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

In its filing with the Commission, the Exchange included statements concerning the

purpose of and basis for the proposed rule change and discussed any comments it received on the

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

In connection with a technology migration to an enhanced Nasdaq, Inc. ("Nasdaq")

functionality which will result in higher performance, scalability, and more robust architecture,

the Exchange intends to adopt certain trading functionality currently utilized at Nasdaq affiliate

exchanges. As further discussed below, the Exchange is proposing to adopt such functionality

substantially in the same form as currently on the Nasdaq affiliated options exchanges, while

retaining certain intended differences between it and its affiliates. The Exchange also proposes

amendments to harmonize the Exchange's rules where appropriate with the rules of its affiliated

options exchanges by using consistent language to describe identical functionality.

Specifically, Phlx proposes to amend Options 3, Section 8, Options Opening Process;

Options 3, Section 9, Trading Halts; Options 3, Section 10, Electronic Execution Priority and

Processing in the System; Options 3, Section 14, Complex Orders; Options 5, Section 4, Order

Routing; Options 8, Section 2, Definitions; Options 8, Section 30, Crossing, Facilitation and

Solicited Orders; Options 8, Section 32, Types of Floor-Based (Non-System) Orders; and

Options 8, Section 34, FLEX Index, Equity, and Currency Options in connection with a

technology migration. Each change will be described below.

Options Opening Process

The Exchange proposes to amend its Opening Process at Options 3, Section 8(k)(C)(5) to

remove the following language, "unless the member that submitted the original order has

instructed the Exchange in writing to reenter the remaining size, in which case the remaining size

will be automatically submitted as a new order." Today, Phlx may conduct a Forced Opening if

the option series has not opened after acceptance of new interest that updated the Potential

Opening Price after additional Imbalance Messages have been sent. Today, during a Forced

Opening, any unexecuted interest from the imbalance not traded or routed will be cancelled back

to the entering participant if they remain unexecuted and priced through the Opening Price,

unless the member that submitted the original order has instructed the Exchange in writing to

reenter the remaining size, in which case the remaining size will be automatically submitted as a

new order. With the technology migration, identical to Nasdaq ISE, LLC ("ISE") Options 3,

Section 8(j)(5), any unexecuted interest from the imbalance not traded or routed will be

cancelled back to the entering participant if they remain unexecuted and priced through the

Opening Price. Phlx will not accept an instruction in writing to re-enter the remaining size.

While the Exchange will not automatically re-enter the order as per an instruction, the member

could elect to re-enter the order themselves. By removing this rule text, Phlx's System behavior

will align with ISE in the event of a Forced Opening.

Trading Halts

The Exchange proposes to modify Options 3, Section 9(f) which currently states that during a halt, the Exchange will maintain existing orders on the book (but not existing quotes), accept orders and quotes, and process cancels. The Exchange proposes to note that with the technology migration the Exchange will process modifications during a trading halt. This rule text is identical to ISE Options 3, Section 9(a)(2). With this proposal, Phlx's System behavior will align with ISE in the event of a trading halt.

Electronic Execution Priority and Processing in the System

The Exchange proposes to correct a reference to a citation in Options 3, Section 10, Electronic Execution Priority and Processing in the System. Specifically, the Exchange proposes to amend a citation in Options 3, Section 10(a)(1)(B) to "(a)(i)(E)." The correct citation should be (a)(1)(E).

Complex Orders

The Exchange recently amended its complex order rules.[3] The Exchange proposes to make a technical amendment to Options 3, Section 14(c)(2) to remove a stray "a" from the sentence that states,

> Notwithstanding the provisions of Options 3, Section 10: (i) *a* Complex Options Strategies may be executed at a total credit or debit price with one other member organization without giving priority to bids or offers established on the Exchange that are no better than the bids or offers in the individual options series comprising such total credit or debit; provided, however, that if any of the bids or offers established on the Exchange consist of a Public Customer Order, the price of at least one leg of the complex strategy must trade at a price that is better than the corresponding bid or offer on the Exchange by at least one minimum trading increment for the series as defined in Options 3, Section 3.

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

With respect to the execution of complex strategies, the Exchange noted at Options 3, Section 14(d)(2)(i) and (ii) that it would execute in time priority or pro-rata based on size according to Options 3, Section 10(a)(1)(E) and (F). The Exchange noted in its 19b4 that,

> Public Customer Orders on the single leg order book shall retain priority and will execute prior to any other Complex Order or non-Public Customer single leg interest at the same price. Stock Option Orders and Stock Complex Orders will be executed at the best net price available from Complex Order Exposure pursuant to proposed Supplementary Material .01 to Options 3, Section 14 and executable Complex Orders on the Complex Order Book. The Exchange may designate on a class basis whether bids and offers at the same price on the Complex Order Book will be executed: (i) in time priority; or (ii) pro-rata based on size pursuant to Options 3, Section 10(a)(1)(E) and (F).[4]

The Exchange noted in footnote 93 of SR-Phlx-2025-17 that Phlx will retain its allocation methodology in Options 3, Section 10.[5] At this time, the Exchange proposes to amend the rule text at Options 3, Section 14(d)(2)(ii) to include the reference to the Public Customer allocation that was inadvertently excluded. Options 3, Section 14(d) addresses the Public Customer priority on the single-leg book in the current text, "…executable Complex Options Orders will execute against Public Customer interest on the single leg book at the same price before executing against the Complex Order Book. Thus, Public Customer Orders on the single leg order book shall retain priority and will execute prior to any other Complex Order or non-Public Customer single leg interest at the same price." The Exchange proposed in SR-Phlx-2025-17 to offer Public Customer priority on the Complex Order Book as described in Options 3, Section 10(a)(1)(A).[6]

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[4]   See id at 16747.

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

[6]   See id.

The Exchange notes that the current citation in Options 3, Section 14(d)(2)(ii) is to the Market Maker Priority and all other market participant allocations. The Exchange proposes to amend Options 3, Section 14(d)(2)(ii) to add the citation to Options 3, Section 10(a)(1)(A) for accuracy, to reflect the Public Customer Priority, and to comport with the discussion in SR-Phlx-2025-17.

Routing

The Exchange proposes to amend its routing rule at Options 5, Section 4. The Exchange proposes to capitalize the defined term "Routing Timer" and amend the word "timer" to "Routing Timer" for clarity in the use of the word in Options 5, Section 4(a)(iii)(B)(2) and Options 5, Section 4(a)(iii)(C)(5). The Exchange inadvertently noted "Opening Price" in Options 5, Section 4(a)(iii)(B)(3) and (4) that should instead state "Opening Process."

The Exchange proposes to remove the word "internal" before "PBBO" in multiple places.[7] Today, Phlx Legging Orders[8] may be generated and executed in an increment other than the minimum increment for that series and are ranked on the order book at its generated price and displayed at a price that is rounded to the nearest minimum increment for that series.[9] Phlx recently amended[10] its Legging Order rules so that Legging Orders will be generated and executed in the minimum increment for that options series pursuant to Options 3, Section 3. As

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[7]   The "internal PBBO" is defined as the Exchange's non-displayed order book.

[8]   A Legging Order is a Limit Order on the regular order book in an individual series that represents one leg of a two-legged Complex Order (which improves the cPBBO) that is to buy or sell an equal quantity of two options series resting on the CBOOK. Legging Orders are firm orders that are included in the Exchange's displayed best bid or offer. Legging Orders are not routable and are Limit Orders with a time-in-force of DAY, as they represent an individual component of a Complex Order. See Options 3, Section 7(b)(10).

[9]   See Options 3, Section 7(b)(10)(B).

[10]   The Exchange amended Legging Orders in SR-Phlx-2025-17. See Securities Exchange Act Release No. 102862 (April 15, 2025), 90 FR 16731 (April 21, 2025) (SR-Phlx-2025-17) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Phlx's Complex Order Functionality). SR-Phlx-2025-17 proposed the same operative date as this proposal as they are both part of the same technology migration.

a result of the amendment in SR-Phlx-2025-17 to the functionality, the Exchange proposes to remove the reference to "internal" which is no longer necessary because Legging Orders will generate and display at minimum increments. More specifically, today, the internal BBO reference in the routing rule is being utilized where the Legging Order, which is displayed at a price that is rounded to the nearest minimum increment for that series, is repriced pursuant to Options 3, Section 5(d) to avoid locking or crossing.[11] With the amendment in SR-Phlx-2025-17, the Legging Order would no longer display at a price that is rounded to the nearest minimum increment, therefore the internal BBO would be equal to the ABBO or the ABBO would be better than the internal PBBO on the same side of the market indicating that there was a locked or crossed market present. Similar to ISE Section 4(a)(iii)(B)(4), (5) and (7) and Section 4(a)(iii)(C)(5) the Exchange proposes to remove the word "internal" from Phlx Options 5, Section 4(a)(iii)(B)(4), (5) and (7) and Section 4(a)(iii)(C)(5).

Also, the Exchange proposes to correct an incorrect cross citation in Options 5, Section 4(a)(iii)(C)(6) to subparagraph "4" which should be subparagraph "5" and remove an errant "is" in that paragraph. Finally, the Exchange proposes to remove an errant "including" in Options 5, Section 4(a)(iii)(C)(8).

Customer Cross Orders

Today, pursuant to Options 8, Section 30(a), an Options Floor Broker who holds orders to buy and sell the same option series (including two Public Customer Orders) may cross such

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[11] Options 3, Section 5(d) provides that an order will not be executed at a price that trades through another market or displayed at a price that would lock or cross another market. An order that is designated by the member as routable will be routed in compliance with applicable Trade-Through and Locked and Crossed Markets restrictions. An order that is designated by a member as non-routable will be re-priced in order to comply with applicable Trade-Through and Locked and Crossed Markets restrictions. If, at the time of entry, an order that the entering party has elected not to make eligible for routing would cause a locked or crossed market violation or would cause a trade-through violation, it will be re-priced to the current national best offer (for bids) or the current national best bid (for offers) as non-displayed, and displayed at one minimum price variance above (for offers) or below (for bids) the national best price.

orders, provided the Options Floor Broker request bids and offers for such options series and make all persons in the trading crowd aware of his request.[12] After providing an opportunity for such bids and offers to be made, the Floor Broker must bid and offer at prices differing by the minimum increment and must improve the market by bidding above the highest bid or offering below the lowest offer.[13] Finally, if such higher bid or lower offer is not taken, the Floor Broker may cross the orders at such higher bid or lower offer by announcing by public outcry that he is crossing and giving the quantity and price.[14] Pursuant to Supplementary Material .02(iv) of Options 8, Section 30, a Floor Broker must disclose on its order ticket for any order which is subject to crossing, all of the terms of such order, including any contingency involving, and all related transactions in, either options or, in the case of equity or index options, underlying or related securities. The Floor Broker, in the case of equity or index options, must disclose all securities that are components of the Public Customer order which is subject to crossing before requesting bids and offers for the execution of all components of the order. Pursuant to Supplementary Material .02(vii) of Options 8, Section 30, the members of the trading crowd who established the market will have priority over all other orders that were not represented in the trading crowd at the time that the market was established (but not over Public Customer orders on the book) and will maintain priority over such orders except for orders that improve upon the market.

At this time, in addition to representations of Public Customer orders subject to Options 8, Section 30 in open outcry, the Exchange proposes to permit Floor Brokers to execute

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[12]   See Options 8, Section 30(a)(1). Public Customer Orders may be crossed in non-conforming spread ratios. See also Options 8, Section 24(h).

[13]   See Options 8, Section 30(a)(2).

[14]   See Options 8, Section 30(a)(3).

Customer Cross Orders and Complex Customer Cross Orders as a Remote FBMS Transaction, similar to Qualified Contingent Cross Orders.[15] Phlx recently adopted rules that permit electronic members and member organizations to enter Customer Cross Orders and Complex Customer Cross Orders.[16] This proposal would permit Phlx floor members to also enter Customer Cross Orders and Complex Customer Cross Orders without the need for order exposure, provided the member complied with the elements in the proposed rules.

The Exchange proposes to describe a Customer Cross Order at Options 8, Section 32(f) as comprised of a Public Customer Order to buy and a Public Customer Order to sell at the same price and for the same quantity. Such orders will trade in accordance with Options 8, Section 30(f). Further, the Exchange proposes to note at proposed Options 8, Section 32(g) that, "[A] Complex Customer Cross Order is comprised of a Priority Customer Complex Order to buy and a Priority Customer Complex Order to sell at the same price and for the same quantity. Such orders will trade in accordance with Options 8, Section 30(g)." The Exchange would also re-letter Options 8, Section 32(h) through (i). The Exchange proposes to amend Options 8, Section 39 at E-11, Two-Way, Three Way and Multi-Spread Transactions (FOREIGN CURRENCY OPTION ONLY), to update the current reference to Options 8, Section 32(f) to new "k" due to the re-lettering.

The Exchange proposes to amend Options 8, Section 30 to add a new "f" related to Customer Cross Orders. Pursuant to proposed Options 8, Section 30(f), Customer Cross Orders would be automatically executed upon entry provided that the execution is at or between the best

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15   See Options 8, Section 2(a)(10).

16   See Securities Exchange Act Release No. 103667 (August 8, 2025), 90 FR 39042 (August 13, 2025) (SR-Phlx-2025-35) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend PIXL and Adopt New Auctions).

bid and offer on the Exchange and (i) is not at the same price as a Public Customer Order on the Exchange's limit order book and (ii) will not trade through the NBBO similar to the manner in which such orders are executed on the electronic order book.[17] Pursuant to proposed Options 8, Section 30(f)(1), Customer Cross Orders will be automatically canceled if they cannot be executed. Pursuant to proposed Options 8, Section 30(f)(2), Customer Cross Orders may only be entered in the regular trading increments applicable to the options class under Options 3, Section 3. Finally, pursuant to proposed Options 8, Section 30(f)(3), Options 3, Section 22(b)(1) applies to the entry and execution of Customer Cross Orders.[18] With this proposal, the execution of a Customer Cross Order from the trading floor would continue to not be at the same price as a Public Customer Order on the Exchange's limit order book, nor trade through the NBBO.

The Exchange proposes to amend Options 8, Section 30 to add a new paragraph "g" related to Complex Customer Cross Orders. Complex Customer Cross Orders would execute in the same manner as they execute electronically on Phlx.[19] Proposed Options 8, Section 32(g) provides that Complex Customer Cross Orders may be entered as described in proposed Options

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[17]   See Options 3, Section 12(a). See Securities Exchange Act Release No. 103667 (August 8, 2025), 90 FR 39042 (August 13, 2025) (SR-Phlx-2025-35) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend PIXL and Adopt New Auctions).

[18]   Options 3, Section 22(b)(1) provides that the Limitations on Principal Transactions Rule in Options 3, Section 22(b) prevents a member from executing agency orders to increase its economic gain from trading against the order without first giving other trading interest on the Exchange an opportunity to either trade with the agency order or to trade at the execution price when the Member was already bidding or offering on the book. However, the Exchange recognizes that it may be possible for an member to establish a relationship with a customer or other person (including affiliates) to deny agency orders the opportunity to interact on the Exchange and to realize similar economic benefits as it would achieve by executing agency orders as principal. It will be a violation of this Rule for a member to be a party to any arrangement designed to circumvent this Rule by providing an opportunity for a customer or other person (including affiliates) to regularly execute against agency orders handled by the member immediately upon their entry into the System.

[19]   See Options 3, Section 12(b). See also Securities Exchange Act Release No. 103667 (August 8, 2025), 90 FR 39042 (August 13, 2025) (SR-Phlx-2025-35) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend PIXL and Adopt New Auctions). SR-Phlx-2025-35 proposed the same operative date as this proposal as they are both part of the same technology migration.

8, Section 30(g), which states that such orders will be automatically executed upon entry so long as: (i) the price of the transaction is at or within the best bid and offer for the same complex strategy on the Complex Order Book; (ii) there are no Public Customer Complex Orders for the same strategy at the same price on the Complex Order Book; and (iii) the options legs can be executed at prices that comply with the provisions of Options 3, Section 14(c)(2).[20] Proposed Options 8, Section 30(g) provides that only Complex Customer Cross Orders with a conforming ratio as defined in Options 1, Section 1(b)(13) will be accepted. Additionally, proposed Options 8, Section 30(g) states that a Complex Customer Cross Orders will be rejected if they cannot be executed. Finally, proposed Options 8, Section 30(g) states that Options 3, Section 22(b)(1) applies to Complex Customer Cross Orders.

Proposed Options 8, Section 30(g)(1) states that Floor Brokers may only submit Complex Customer Cross Orders with a stock/ETF component if such orders comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS. A Qualified Contingent Trade is a transaction consisting of two or more component orders, executed as agent or principal, that satisfy the six elements in the Commission's order exempting Qualified Contingent Trades ("QCTs") from the requirements of Rule 611(a),[21] which requires trading centers to establish, maintain, and enforce written policies and procedures that are reasonably

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[20] Phlx Options 3, Section 14(c)(2)(i) states, a Complex Options Strategies may be executed at a total credit or debit price with one other Member without giving priority to bids or offers established on the Exchange that are no better than the bids or offers in the individual options series comprising such total credit or debit; provided, however, that if any of the bids or offers established on the Exchange consist of a Public Customer Order, the price of at least one leg of the complex strategy must trade at a price that is better than the corresponding bid or offer on the Exchange by at least one minimum trading increment for the series as defined in Options 3, Section 3. Phlx separately filed a proposal to adopt Complex Order functionality identical to ISE Options 3, Section 14 with SR-Phlx-2024-17. See Securities Exchange Act Release No. 102862 (April 15, 2025), 90 FR 16731 (April 21, 2025) (SR-Phlx-2025-17) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Phlx's Complex Order Functionality). SR-Phlx-2025-17 proposed the same operative date as this proposal as they are both part of the same technology migration.

[21] 17 CFR 242.611(a).

designed to prevent trade-throughs.[22] Further proposed Options 8, Section 30(g)(1) provides that Floor Brokers submitting such orders with a stock/ETF component represent that such orders comply with the Qualified Contingent Trade Exemption. Member organizations of FINRA or The Nasdaq Stock Market ("Nasdaq") will be required to have a Uniform Service Bureau/Executing Broker Agreement ("AGU") with Nasdaq Execution Services, LLC ("NES")[23] in order to trade orders containing a stock/ETF component; firms that are not members of FINRA or Nasdaq are required to have a Qualified Special Representative ("QSR") arrangement with NES in order to trade orders containing a stock/ETF component.[24] These aforementioned requirements are identical to the requirements for entering Complex Customer Cross Orders with a stock/ETF component pursuant to Options 3, Section 12(b)(1).[25]

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[22]   See Securities Exchange Act Release Nos. 57620 (April 4, 2008), 73 FR 19271 (April 9, 2008) ("QCT Exemptive Order"). See also Securities Exchange Act Release No. 54389 (August 31, 2006), 71 FR 52829 (September 7, 2006). The QCT Exemption applies to trade-throughs caused by the execution of an order involving one or more NMS stocks that are components of a "qualified contingent trade." As described more fully in the QCT Exemptive Order, a qualified contingent trade is a transaction consisting of two or more component orders, executed as principal or agent, where: (1) At least one component order is an NMS stock; (2) all components are effected with a product or price contingency that either has been agreed to by the respective counterparties or arranged for by a broker-dealer as principal or agent; (3) the execution of one component is contingent upon the execution of all other components at or near the same time; (4) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) is determined at the time the contingent order is placed; (5) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or since cancelled; and (6) the Exempted NMS Stock Transaction is fully hedged (without regard to any prior existing position) as a result of the other components of the contingent trade.

[23]   NES is a broker-dealer owned and operated by Nasdaq, Inc. NES, an affiliate of the Exchange, has been approved by the Commission to become a Member of the Exchange and perform inbound routing on behalf of the Exchange. NES is a registered broker-dealer and member of various exchanges and the Financial Industry Regulatory Authority ("FINRA").

[24]   See proposed Options 8, Section 30(g)(1).

[25]   Options 3, Section 12(b)(1) was adopted in SR-Phlx-2025-35. See also Securities Exchange Act Release No. 103667 (August 8, 2025), 90 FR 39042 (August 13, 2025) (SR-Phlx-2025-35) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend PIXL and Adopt New Auctions). SR-Phlx-2025-35 proposed the same operative date as this proposal as they are both part of the same technology migration.

Today, on Phlx, NES performs the same functions with respect to execution, reporting and submission of the underlying stock or ETF component of a Complex Order that it would perform with these amendments for the underlying stock or ETF component of a Complex Order that is entered into FBMS from the trading floor or electronically.[26] The proposed language describing NES applies today to Complex Orders executed on Phlx and would likewise apply to this proposed rule in that NES would execute, report and submit of the underlying stock or ETF component of a Complex Order for a Complex Customer Cross Order.[27] Today, on Phlx, NES is responsible for the proper execution, trade reporting, and submission to clearing of the underlying stock or ETF component of a Complex Order.[28] Because these trades with a stock component occur off-exchange, the principal regulator is FINRA;[29] the execution and reporting of the stock/ETF piece occur otherwise than on Phlx or any other exchange. The stock execution

[26] See Phlx Supplementary .07 to Options 3, Section 14 as adopted in SR-Phlx-2025-17. See Securities Exchange Act Release No. 102862 (April 15, 2025), 90 FR 16731 (April 21, 2025) (SR-Phlx-2025-17) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Phlx's Complex Order Functionality). SR-Phlx-2025-17 proposed the same operative date as this proposal as they are both part of the same technology migration.

[27] See proposed Phlx Options 8, Section 30(g)(1). See Phlx Options 3 Section 12(b)(1) as proposed in SR-Phlx-2025-35. See also Securities Exchange Act Release No. 103667 (August 8, 2025), 90 FR 39042 (August 13, 2025) (SR-Phlx-2025-35) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend PIXL and Adopt New Auctions). SR-Phlx-2025-35 proposed the same operative date as this proposal as they are both part of the same technology migration.

[28] See supra note 26. In particular, NES has in place policies and procedures designed to prevent the misuse of material non-public information related to stock-tied executions. Of note, NES only receives information about the stock or ETF portion of the order from the Exchange. Today, NES is responsible for the proper execution, trade reporting, and submission to clearing of the underlying stock or ETF component of a Complex Order on Phlx.

[29] NES is responsible for compliance with FINRA rules generally and is subject to examination by FINRA. Specifically, NES is subject to FINRA Rule 3110, which generally requires that the policies and procedures and supervisory systems of a broker-dealer be reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable FINRA rules, including those relating to the misuse of material non-public information. To this end, today, NES has in place policies related to confidentiality and the potential for informational advantages relating to its affiliates, intended to protect against the misuse of material nonpublic information. Phlx establishes and maintains procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange and NES.

is handled by NES pursuant to applicable rules regarding equity trading,[30] including the rules governing trade reporting, trade-throughs and short sales. Specifically, NES reports the trades to the Trade Reporting Facility.[31] Firms that are members of FINRA are required to have an AGU with NES in order to trade Complex Orders containing a stock/ETF component pursuant to proposed Options 8, Section 30(g)(1). Firms that are not members of FINRA are required to have a QSR arrangement with NES in order to trade Complex Orders containing a stock/ETF component pursuant to proposed Options 8, Section 30(g)(1).

Pursuant to proposed Options 8, Section 30(g)(2), where one component of a Complex Customer Cross Order is the underlying security, the Exchange shall electronically communicate the underlying security component of a Complex Customer Cross Order to NES, its designated broker-dealer, for immediate execution. Pursuant to proposed Options 8, Section 30(g)(2), such execution and reporting will not occur on the Exchange and will be handled by NES pursuant to applicable rules regarding equity trading. Pursuant to proposed Options 8, Section 30(g)(2), the execution price must be within a certain price from the current market, as determined by the Exchange. Finally, pursuant to proposed Options 8, Section 30(g)(2), if the stock price is not within these parameters, the Complex Customer Cross Order is not executable.[32] These requirements are identical to the requirements in Phlx Options 3, Section 12(b)(2).[33]

Finally, pursuant to proposed Options 8, Section 30(g)(3), when the short sale price test

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[30] Once the orders are communicated to the broker-dealer for execution, the broker-dealer has complete responsibility for determining whether the orders may be executed in accordance with all of the rules applicable to execution of equity orders.

[31] Specifically, the trades will be reported to the FINRA/Nasdaq TRF which is a facility of FINRA that is operated by Nasdaq, Inc. and utilizes Automated Confirmation Transaction ("ACT") Service technology.

[32] See proposed Options 8, Section 30(g)(2).

[33] Phlx Options 3, Section 12(b)(2) was adopted in SR-Phlx-2025-35. See Securities Exchange Act Release No. 103667 (August 8, 2025), 90 FR 39042 (August 13, 2025) (SR-Phlx-2025-35) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend PIXL and Adopt New Auctions).

in Rule 201 of Regulation SHO is triggered for a covered security, NES will not execute a short sale order in the underlying covered security component of a Complex Customer Cross Order if the price is equal to or below the current national best bid. However, NES will execute a short sale order in the underlying covered security component of a Complex Customer Cross Order if such order is marked "short exempt," regardless of whether it is at a price that is equal to or below the current national best bid pursuant to proposed Options 8, Section 30(g)(3). If NES cannot execute the underlying covered security component of a Complex Customer Cross Order in accordance with Rule 201 of Regulation SHO, the Exchange will cancel back the Complex Customer Cross Order to the entering Floor Broker pursuant to proposed Options 8, Section 30(g)(3) Proposed Options 8, Section 30(g)(2) notes that for purposes of this paragraph, the term "covered security" shall have the same meaning as in Rule 201(a)(1) of Regulation SHO. These requirements are identical to requirements in Phlx Options 3, Section 12(b)(3).[34] The manner in which Floor Brokers would be permitted to trade Complex Customer Cross Orders is identical to the manner in which Complex Customer Cross Orders are currently permitted to trade electronically pursuant to Option 3, Section 12(b).

Remote FBMS

Today, the Exchange permits Floor Brokers to utilize the Options Floor Based Management System ("FBMS"),[35] remotely,[36] to enter certain orders that do not require exposure

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[34] Phlx Options 3, Section 12(b)(3) was adopted in SR-Phlx-2025-35. See Securities Exchange Act Release No. 103667 (August 8, 2025), 90 FR 39042 (August 13, 2025) (SR-Phlx-2025-35) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend PIXL and Adopt New Auctions).

[35] FBMS, an order management system, is the gateway for the electronic execution of equity, equity index and U.S. dollar-settled foreign currency option orders represented by Floor Brokers on the Exchange's Options Floor. Floor Brokers contemporaneously upon receipt of an order and prior to the representation of such an order in the trading crowd, record all options orders represented by such Floor Broker to FBMS, which creates an electronic audit trail. The execution of orders to Phlx's electronic trading system also occurs via FBMS. The FBMS application is available on hand-held tablets and stationary desktops.

[36] Utilizing FBMS while not physically present on the Trading Floor would be considered remote access.

in open outcry. Today, the term "Remote FBMS Transaction" is described in Options 8, Section 2(a)(10) as a transaction effected by a Floor Broker, while not physically present on the Trading Floor, by submitting limit, market or stop orders pursuant to Options 8, Section 28(g) and Floor Qualified Contingent Cross Orders pursuant to Options 8, Section 30(e) to the electronic order book, through FBMS. The Exchange proposes to amend Options 8, Section 2(a)(10) to permit Customer Cross Orders and Complex Customer Cross Orders to be entered remotely while the Floor Broker is not physically present on the trading floor. Like Qualified Contingent Cross Orders, Customer Cross Orders and Complex Customer Cross Orders are paired orders that do not require exposure in open outcry. Floor Brokers may also enter Customer Cross Orders and Complex Customer Cross Orders while on the trading floor.

As is the case today, in order to conduct Remote FBMS Transactions, unless exempt from such requirements in accordance with Supplementary Material .01 to Options 10, Section 5 or Phlx General 4, Rule 1230, Floor Brokers are subject to the following regulatory requirements: (1) compliance with branch office requirements as described in Supplementary Material .01 to Options 10, Section 5, as well as supervision of such branch office as described in Phlx General 9, Section 20; and (2) compliance with applicable registration requirements described in Phlx General 4. These regulatory requirements would apply to Customer Cross Orders and Complex Customer Cross Orders that are entered remotely. Except as noted, all uses of FBMS involving open outcry must be conducted while physically present on the Trading Floor.[37]

The Exchange's proposal would permit Phlx's Floor Broker to execute Customer Cross Orders and Complex Customer Cross Orders pursuant to proposed Options 8, Section 30(f) and

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[37]   See Options 8, Section 2(a)(10).

(g) utilizing the same order entry requirements as Phlx members and member organizations that transact business electronically pursuant to Options 3, Section 12(a) and (b).[38] The requirements to enter Customer Cross Orders and Complex Customer Cross Orders are identical for Floor Brokers and electronic Phlx members and member organizations except that Floor Brokers would execute Customer Cross Orders and Complex Customer Cross Orders through FBMS while electronically, Phlx members and member organizations would execute Cross Orders and Complex Customer Cross Orders through an order entry protocol.

As proposed, Options 8, Section 30(g) provides that only Complex Customer Orders with a conforming ratio would be permitted to trade pursuant to proposed Options 8, Section 30(g) whereas, today, two Public Customer Orders in open outcry pursuant to Options 8, Section 30(a) may be entered in either conforming or non-conforming ratios. The Exchange notes that Floor Brokers may continue to cross two Public Customer Orders in open outcry pursuant to Options 8, Section 30(a). This would be necessary if a Floor Broker desired to cross two Public Customer Orders with non-conforming ratios.[39]

FLEX Position Limits

The Exchange proposes to amend Options 8, Section 34, FLEX Index, Equity, and

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[38]   Pursuant to proposed Options 8, Section 30(f) Customer Cross Orders are automatically executed upon entry provided that the execution is at or between the best bid and offer on the Exchange and is not at the same price as a Priority Customer Order on the Exchange's limit order book and will not trade through the NBBO. Also, pursuant to Options 3, Section 30(g) Complex Customer Cross Orders will automatically executed upon entry so long as: the price of the transaction is at or within the best bid and offer for the same complex strategy on the Complex Order Book; there are no Public Customer Complex Orders for the same strategy at the same price on the Complex Order Book; and the options legs can be executed at prices that comply with the provisions of Options 3, Section 14(c)(2).

[39]   Phlx's trading floor permits a spread order to consist of different numbers of contracts so long as the number of contracts differ by a permissible ratio (a "Ratio Spread"). Similarly, the legs to a straddle or combination order may consist of different numbers of puts and calls so long as the number of contracts differ by a permissible ratio. A permissible ratio is any ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00). For example, a one-to-two (.5) ratio, a two-to-three (.667) ratio, or a two-to-one (2.0) ratio is permissible, whereas a one-to-four (.25) ratio or a four-to-one (4.0) ratio is not. See Options 8, Section 24(h).

Currency Options. Specifically, the Exchange proposes to amend paragraph (i)(2) of Options 8, Section 34 related to FLEX Index Options position limits. Today, paragraph (i)(2) provides,[40]

> FLEX Index Options shall be subject to a separate position limit of 200,000 contracts on the same side of the market respecting market index options; 36,000, 48,000, or 60,000 contracts respecting industry index options, depending on the position limit tier determined pursuant to Options 4A, Section 6(b)(i). FLEX Index Options shall otherwise be subject to the same position limits governing index options as provided for within Options 4A, Section 6. FLEX Equity Options shall not be subject to a separate FLEX position limit. Except as provided in subsection (3) of this section (i), positions in FLEX Equity Options shall not be taken into account when calculating position limits for non-FLEX Equity Options, or FLEX or non-FLEX Index Options.

At this time, the Exchange proposes to instead provide,

> FLEX Index Options shall be subject to a separate position limit for broad-based FLEX Index Options, in the aggregate, of 200,000 contracts on the same side of the market, except that there shall be no position limits for FLEX NDX or XND. FLEX Index Options shall otherwise be subject to the same position limits governing index options as provided for within Options 4A, Section 6. FLEX Index Options shall otherwise be subject to the same position limits governing index options as provided for within Options 4A, Section 6. FLEX Equity Options shall not be subject to a separate FLEX position limit. Except as provided in subsection (3) of this section (i), positions in FLEX Equity Options shall not be taken into account when calculating position limits for non-FLEX Equity Options, or FLEX or non-FLEX Index Options.

The Exchange's addition of the words, "for broad-based FLEX Index Options, in the aggregate" align with rule text at Cboe Exchange, Inc. ("Cboe") Rule 8.35(a)(2).[41] Also, noting that options on NDX and XND have no position limits aligns with Phlx Options 4A, Section 6(a)(i).[42] The

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[40] Options 8, Section 34 was previously amended by Securities Exchange Act Release Nos. 97658 (June 7, 2023), 88 FR 38562 (June 13, 2023) (Phlx-2023-22); 100321 (June 12, 2024), 89 FR 51580 (June 18, 2024) (SR-Phlx-2024-24); and 102977 (May 2, 2025), 90 FR 19546 (May 8, 2025) (SR-Phlx-2025-20).

[41] Cboe's position limits for a broad-based FLEX Index Option class shall not exceed in the aggregate 200,000 contracts on the same side of the market. See Cboe Rule 8.35(a)(2).

[42] ISE Options 4A, Section 6(a)(i) provides that respecting the Full Value Nasdaq 100 Options, the Reduced Value Nasdaq 100 Options, the Nasdaq 100-Micro Index Options, and the Nasdaq-100 ESG Index Options there shall be no position limits. Of note, Cboe currently trades both NDX and XND FLEX options and has similar language at Cboe Rule 8.35(b) with respect to the position limits for NDX and XND FLEX options. Further, Phlx Options 4A, Section 6(c) provides that each member or member organization that

Exchange is removing rule text that states, "…respecting market index options; 36,000, 48,000, or 60,000 contracts respecting industry index options, depending on the position limit tier determined pursuant to Options 4A, Section 6(b)(i)." The Exchange notes that FLEX Index Option position limits in Options 4A, Section 6(b)(i) provides for varying contract limits of 18,000, 24,000 and 31,500 for option contracts on a narrow-based (industry) index. Pursuant to Options 4A, Section 6(b)(i)-(iii) the actual position limit is determined at the commencement of trading of such options on the Exchange and thereafter review the determination semiannually on January 1 and July 1 and subject to the to the procedures specified Options 4A, Section 6(b)(iii) as well as the position limits in Options 4A, Section 6(b)(i).

The Exchange believes that the proposed amendments will align Phlx's FLEX Index Options on the trading Floor with Cboe's Rules and Phlx's Index Options position limits at Options 4A.

Implementation

The Exchange will implement this rule change on or before December 20, 2025. Phlx would commence its implementation with a limited symbol migration and continue to migrate symbols over several weeks. The Exchange will issue an Options Trader Alert to members to provide notification of the symbols that will migrate and the relevant dates.[43]

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maintains a position on the same side of the market in excess of 100,000 contracts for its own account or for the account of a customer in excess of 100,000 contracts for its own account or for the account of a customer in Full Value Nasdaq-100® Options, NDX; or in excess of 100,000 contracts for its own account for the account of a customer in Nasdaq-100 ESG Index Options, must file a report with the Exchange that includes, but is not limited to, data related to the option positions, whether such positions are hedged and if applicable, a description of the hedge and information concerning collateral used to carry the positions. Market Makers are exempt from this reporting requirement. For positions exceeding the position limit in Supplementary Material .01(a) of Options 4A, Section 6 contains the requirements for qualifying for the Index Hedge Exemption under this Rule. Cboe has similar reporting requirements with respect to NFX and XND FLEX at Cboe Rule 8.35(b).

[43] See https://www.nasdaqtrader.com/MicroNews.aspx?id=OTA2024-17.

2.   Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[44] in general, and furthers the objectives of Section 6(b)(5) of the Act,[45] 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.

Options Opening Process

The Exchange's proposal to amend its Opening Process at Options 3, Section 8(k)(C)(5) to remove the following language, "unless the member that submitted the original order has instructed the Exchange in writing to reenter the remaining size, in which case the remaining size will be automatically submitted as a new order" is consistent with the Act. The Exchange's proposal to no longer accept an instruction from a member to reenter the remaining size is consistent with the Act because the member could elect to re-enter the order themselves. The amendment will align Phlx's System behavior to ISE at Options 3, Section 8(j)(5) in the event of a Forced Opening.

Trading Halts

Amending Options 3, Section 9(f) to note that the Exchange will process modifications during a trading halt is consistent with the Act as the Exchange's behavior will allow Phlx members and member organizations to modify orders during a trading halt identical to ISE Options 3, Section 9(a)(2). With this proposal, Phlx's System behavior will align with ISE in the event of a trading halt.

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[44]   15 U.S.C. 78f(b).

[45]   15 U.S.C. 78f(b)(5).

Electronic Execution Priority and Processing in the System

The Exchange's proposal to amend a citation in Options 3, Section 10(a)(1)(B) is non-substantive.

Complex Orders

The Exchange's proposal to amend Options 3, Section 14(d)(ii) to include the reference to the Public Customer allocation that was inadvertently excluded is consistent with the Act as Public Customers would receive priority allocation on both the single-leg and Complex Order Book. Options 3, Section 14(d) addresses the Public Customer priority on the single-leg book in the current text, "…executable Complex Options Orders will execute against Public Customer interest on the single leg book at the same price before executing against the Complex Order Book. Thus, Public Customer Orders on the single leg order book shall retain priority and will execute prior to any other Complex Order or non-Public Customer single leg interest at the same price." The Exchange also proposes to offer Public Customer priority on the Complex Order Book as described in Options 3, Section 10(a)(1)(A).[46] The Exchange notes that the current citation is to the Market Maker Priority and all other market participant allocations. The Exchange's proposal to remove a stray "a" from Options 3, Section 14(c)(2) is a non-substantive amendment.

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[46]   SR-Phlx-2024-71 amended Options 3, Section 10. See Securities Exchange Act Release No. 101989 (December 30, 2024), 89 FR 106888 (December 30, 2024) (SR-Phlx-2024-71). SR-Phlx-2024-71 is effective but not yet operative. SR-Phlx-2024-71 would be operative at the same time as this rule change as they are both part of the same technology migration.

Routing

The Exchange's proposal to amend its routing rule to remove the word "internal" before "PBBO" in multiple places is consistent with the Act because Phlx recently amended[47] its Legging Order rules so that Legging Orders will be generated and executed in the minimum increment for that options series pursuant to Options 3, Section 3. As a result of the amendment in SR-Phlx-2025-17, the minimum increment rule in Options 3, Section 3 would be applicable to Legging Orders. With this amended functionality the Legging Order would no longer display at a price that is rounded to the nearest minimum increment, therefore the internal BBO would be equal to the ABBO or the ABBO would be better than the internal PBBO on the same side of the market indicating that there was a locked or crossed market present. As a result of this amendment in SR-Phlx-2025-17 to the functionality, the Exchange proposes to remove the reference to "internal" because it is no longer is necessary with the System change to Legging Order processing where orders will generate and display at minimum increments.[48] Similar to ISE Section 4(a)(iii)(B)(4), (5) and (7) and Section 4(a)(iii)(C)(5) the Exchange proposes to remove the word "internal" from Phlx Options 5, Section 4(a)(iii)(B)(4), (5) and (7) and Section 4(a)(iii)(C)(5). The remainder of the proposed changes are non-substantive.

Customer Cross Orders

Permitting Floor Brokers to enter Customer Cross Orders and Complex Customer Cross Orders directly into FBMS without having to expose the order in open outcry is consistent with

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[47] The Exchange amended Legging Orders in SR-Phlx-2025-17. See Securities Exchange Act Release No. 102862 (April 15, 2025), 90 FR 16731 (April 21, 2025) (SR-Phlx-2025-17) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Phlx's Complex Order Functionality). SR-Phlx-2025-17 proposed the same operative date as this proposal as they are both part of the same technology migration.

[48] More specifically, today, the internal BBO reference in the routing rule is being utilized where the Legging Order, which is displayed at a price that is rounded to the nearest minimum increment for that series, is repriced pursuant to Options 3, Section 5(d) to avoid locking or crossing.

the Act because this proposal would permit Floor Broker to continue to execute paired Customer Cross Orders, while also protecting Public Customer Orders on the book at the same price. Identical to Phlx members and member organizations that transact electronically, Phlx Floor Brokers would be required to enter Customer Cross Orders where the execution price is at or between the best bid and offer on the Exchange and is not at the same price as a Public Customer Order on the Exchange's limit order book and will not trade through the NBBO.[49] Additionally, identical to Phlx members and member organizations that transact electronically, Floor Brokers entering Complex Customer Cross Orders would execute in the same manner as they execute electronically on Phlx, that is such orders will be automatically executed upon entry so long as: the price of the transaction is at or within the best bid and offer for the same complex strategy on the Complex Order Book, there are no Public Customer Complex Orders for the same strategy at the same price on the Complex Order Book, and the options legs can be executed at prices that comply with the provisions of Options 3, Section 14(c)(2).[50] The Exchange notes that the requirements to enter Customer Cross Orders and Complex Customer Cross Orders are identical for Floor Brokers and electronic Phlx members and member organizations except that Floor Brokers would execute Customer Cross Orders and Complex Customer Cross Orders through FBMS while Phlx members and member organizations that trade electronically would execute Cross Orders and Complex Customer Cross Orders through an order entry protocol.

Further, the Exchange believes it is consistent with the Act and the protection of investors to permit Customer Cross Orders and Complex Customer Cross Orders to be entered remotely from off the trading floor because these orders are not required to be exposed in open outcry.

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[49] See proposed Options 8, Section 30(f).

[50] See proposed Options 8, Section 30(g).

Allowing Floor Brokers to enter Customer Cross Orders and Complex Customer Cross Orders

remotely from off the floor would place them on equal footing with Phlx members and member

organizations that trade these orders electronically. With this proposal, Floor Brokers may only

enter Complex Customer Cross Orders in conforming ratios as defined in Options 8, Section

1(b)(13) remotely from off the floor, however Floor Brokers would be able to continue to cross

two Public Customer Orders in open outcry pursuant to Options 8, Section 30(a). This would be

necessary if a Floor Broker desired to cross two Public Customer Orders with non-conforming

ratios because under proposed Options 8, Section 30(g) only Complex Customer Cross Orders

with a conforming ratio are accepted for electronic processing.[51]

Permitting Floor Brokers to only submit Complex Customer Cross Orders with a

stock/ETF component if such orders comply with the Qualified Contingent Trade Exemption

from Rule 611(a) of Regulation NMS is consistent with the Act and the protection of investors.

Phlx's proposed Options 8, Section 30(g)(1) will require that Floor Brokers submitting such

orders with a stock/ETF component represent that such orders comply with the Qualified

Contingent Trade Exemption. Member organizations of FINRA or Nasdaq would be required to

have an AGU with NES[52] in order to trade orders containing a stock/ETF component; firms that

are not members of FINRA or Nasdaq are required to have a QSR arrangement with NES in

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[51]   Phlx's trading floor permits a spread order to consist of different numbers of contracts so long as the
         number of contracts differ by a permissible ratio (a "Ratio Spread"). Similarly, the legs to a straddle or
         combination order may consist of different numbers of puts and calls so long as the number of contracts
         differ by a permissible ratio. A permissible ratio is any ratio that is equal to or greater than one-to-three
         (.333) and less than or equal to three-to-one (3.00). For example, a one-to-two (.5) ratio, a two-to-three
         (.667) ratio, or a two-to-one (2.0) ratio is permissible, whereas a one-to-four (.25) ratio or a four-to-one
         (4.0) ratio is not. See Options 8, Section 24(h).

[52]   NES is a broker-dealer owned and operated by Nasdaq, Inc. NES, an affiliate of the Exchange, has been
         approved by the Commission to become a Member of the Exchange and perform inbound routing on behalf
         of the Exchange. NES is a registered broker-dealer and member of various exchanges and the Financial
         Industry Regulatory Authority ("FINRA").

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order to trade orders containing a stock/ETF component.[53] This proposal is consistent with

today's treatment of Complex Orders with a stock/ETF component and is not changing the

manner in which a Complex Order with a stock/ETF component is treated today on Phlx

Section 11(a) and the rules thereunder generally prohibit members of an exchange from

effecting transactions on the exchange for their own account, the account of an associated

person, or an account with respect to which it or an associated person thereof exercises

investment discretion unless an exemption applies.[54] With respect to the application of

Customer Cross Order to Section 11(a) of the Act and the rules thereunder, the Exchange notes

that the entry and execution of Customer Cross Orders raises no novel issues under Section 11(a)

and the rules thereunder from a compliance, surveillance or enforcement perspective. Exchange

Floor Brokers are required to comply and the Exchange surveils for compliance with Section

11(a) and the rules thereunder when using Exchange systems to effect transactions using existing

order types, and they will be required to comply with Section 11(a) and the rules thereunder

when using the Customer Cross Orders as amended.

FLEX Position Limits

The Exchange's proposal to amend paragraph (i)(2) of Options 8, Section 34 related to

FLEX Index Options position limits is consistent with the Act because the proposed rule text

would harmonize Phlx's FLEX rules related to FLEX Index Options position limits with Phlx

Options 4A, Section 6(a)(i) for standard options as well as Cboe Rule 8.35(a)(2) with respect to

the broad based index options language.

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[53]   See proposed Options 8, Section 30(g)(1).

[54]   See 15 U.S.C. 78k(a). Section 11(a) contains multiple exemptions, including exemptions for those acting in the capacity of market makers, as odd-lot dealers, and those engaged in stabilizing conduct; there are also rule-based exemptions such as the "effect vs. execute" exception under SEC Rule 11a2-2(T) under the Act. See 17 CFR 240.11a2-2(T).

NDX and XND are subject to the same rules that presently govern the trading of index options based on the Nasdaq-100 Index, including sales practice rules, and margin requirements, trading rules. The Exchange represents that it has adequate surveillances in place to detect potential manipulation, as well as reviews in place to identify continued compliance with the Exchange's listing standards. Further, the Exchange believes that the current financial requirements imposed by the Exchange and by the Commission adequately address concerns regarding potentially large, unhedged positions in equity options. Current margin and risk-based haircut methodologies serve to limit the size of positions maintained by any one account by increasing the margin and/or capital that a member organization must maintain for a large position held by itself or by its customer.[55] In addition, Rule 15c3-1[56] imposes a capital charge on member organizations to the extent of any margin deficiency resulting from the higher margin requirement.

The Exchange notes that not imposing position limits on NDX and XND aligns with Phlx Options 4A, Section 6(a)(i).[57] Removing rule text related to specific index options position limits for industry index options in favor of broader language noting that FLEX Index Options are subject to the same position limits governing index options as provided for within Options 4A, Section 6 is consistent with the Act. The revised text makes clear that Phlx's position limits for Phlx FLEX Index Options on the trading Floor are the same as standard position limits in Options 4A, Section 6. Also, Cboe has the same FLEX Options position limits as noted in Cboe Rule 8.35(a)(2). Finally, Phlx's proposal does not otherwise amend the position limits other than

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[55]   See Options 6C Section 3 regarding margin requirements.

[56]   17 CFR 240.15c3-1.

[57]   Of note, Cboe currently trades both NDX and XND FLEX options and has similar language at Cboe Rule 8.35(b).

amending NDX and XND position limits.

       B.   <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

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.

Options Opening Process

The Exchange's proposal to amend its Opening Process at Options 3, Section 8(k)(C)(5) to remove the following language, "unless the member that submitted the original order has instructed the Exchange in writing to reenter the remaining size, in which case the remaining size will be automatically submitted as a new order" does not impose an undue burden on intramarket competition because no member or member organization would be permitted to have the System automatically reenter the remaining size.

The Exchange's proposal to amend its Opening Process at Options 3, Section 8(k)(C)(5) does not impose an undue burden on intermarket competition because ISE at Options 3, Section 8(j)(5) has an identical rule.

Trading Halts

The Exchange's proposal to amend Options 3, Section 9(f) to note that the Exchange will process modifications during a trading halt does not impose an undue burden on intramarket competition because the Exchange will allow all Phlx members and member organizations to modify orders during a trading halt.

The Exchange's proposal to amend Options 3, Section 9(f) to note that the Exchange will process modifications during a trading halt does not impose an undue burden on intermarket competition because ISE has identical rule text at Options 3, Section 9(a)(2).

Complex Orders

The Exchange's proposal to amend Options 3, Section 14(d)(ii) to include the reference

to the Public Customer allocation that was inadvertently excluded does not impose an undue burden on intramarket competition because all market participants would be subject to the Public Customer allocation in the Complex Order Book.

The Exchange's proposal to amend Options 3, Section 14(d)(ii) to include the reference to the Public Customer allocation that was inadvertently excluded does not impose an undue burden on intermarket competition because Phlx allocates in the same manner today in its single-leg order book. With this proposal, Public Customers would receive priority allocation on both the single-leg and Complex Order Book. Other options exchanges may also adopt the same allocation methodology as Phlx's allocation methodology.

Routing

The Exchange's proposal to amend its routing rule at Options 5, Section 4(a)(iii)(B)(4), (5) and (7) and Section 4(a)(iii)(C)(5) does not impose an undue burden on intramarket competition because any FIND Order or SRCH Order submitted by any member or member organization would need to be marketable against the displayed book.

The Exchange's proposal to amend its routing rule at Options 5, Section 4(a)(iii)(B)(4), (5) and (7) and Section 4(a)(iii)(C)(5) does not impose an undue burden on intermarket competition because a FIND Order or SRCH Order on ISE is also marketable against the displayed book pursuant to ISE Options 5, Section 4(a)(iii)(B)(5).

Customer Cross Orders

The proposed Customer Cross Orders and Complex Customer Cross Orders do not impose an undue burden on intramarket competition because today Phlx members and member organizations that transact electronically are subject to identical rules and may enter such orders without the need to expose the orders. The ability to enter Customer Cross Order remotely

through FBMS does not impose an undue burden on intramarket competition because the functionality will be available to all Floor Brokers.

The proposed Customer Cross Orders and Complex Customer Cross Orders do not impose an undue burden on intermarket competition because other options exchanges have similar rules on their electronic markets.

FLEX Position Limits

The Exchange's proposal to amend Options 8, Section 34(i) to provide that NDX and XND shall have no position limits does not impose an undue burden on intramarket competition as no Phlx member or member organization would be subject to FLEX position limits for those symbols.

The Exchange's proposal to amend Options 8, Section 34(i) to provide that NDX and XND shall have no FLEX position limits does not impose an undue burden on intermarket competition as Cboe similarly does not impose position limits on NDX or XND.[58]

C.   <u>Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others</u>

No written comments were either solicited or received.

III.   <u>Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action</u>

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

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[58]   <u>See</u> Cboe Rule 8.35(a)(2).

as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act[59] and subparagraph (f)(6) of Rule 19b-4 thereunder.[60]

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

IV.   Solicitation of Comments

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

Electronic Comments:

- Use the Commission's internet comment form (https://www.sec.gov/rules/sro.shtml); or

- Send an email to rule-comments@sec.gov. Please include file number SR-Phlx-2025-39 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.

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[59]   15 U.S.C. 78s(b)(3)(A)(iii).

[60]   17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

All submissions should refer to file number SR-Phlx-2025-39. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (https://www.sec.gov/rules/sro.shtml). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-Phlx-2025-39 and should be submitted on or before [INSERT 21 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[61]

Sherry R. Haywood,

Assistant Secretary.

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[61]   17 CFR 200.30-3(a)(12).