

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-80504; File No. SR-Phlx-2017-32)

April 21, 2017

Self-Regulatory Organizations; NASDAQ PHLX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 1002 of the Exchange's Rules to Establish Certain Exemptions from Exercise Limits

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 April 11, 2017, NASDAQ PHLX, LLC ("PHLX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend Rule 1002 of the Exchange's Rules, as described in further detail below.

The text of the proposed rule change is available on the Exchange's Website at <http://www.nasdaqphlx.cchwallstreet.com>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of the proposed rule change is to amend Rule 1002 of the Exchange's rules (the "Rules"), which pertains to exercise limits, so that it is more consistent with the rules of PHLX's sister exchange, Nasdaq ISE, LLC ("ISE").

Although Rule 1001 of the Exchange's Rules provides for numerous exemptions to the position limits that the Exchange imposes, Rule 1002(c) provides that "[t]he Exchange will not approve exercises exceeding the [exercise] limits established pursuant to this Rule except in highly unusual circumstances." Rule 1002(c) further provides that an exemption request must be made in writing and set forth the facts justifying the exemption, and that such a request is subject to the approval of an Options Exchange Official.³

In contrast to PHLX, the rules of ISE do not impose such onerous requirements for approving exemptions from exercise limits. ISE Rule 414(c) states that "[f]or a Member that has been granted an exemption to position limits pursuant to Rule 413(a), the number of contracts which can be exercised over a five (5) business day period shall equal the Member's exempted position." Rule 413(a) provides for equity hedge and delta-based equity hedge position limit exemptions.

The Exchange proposes to harmonize Rule 1002 with ISE Rule 414(c) by authorizing exercise limit exemptions as a matter of course, and without requiring members and member organizations to submit written requests and obtain specific approvals for these exemptions, to

³ See PHLX Rule 1002(c).

the extent that such members or member organizations are exempt from position limits as set forth in Rule 1001. Specifically, the Exchange proposes to replace the existing language of Rule 1002(c) with the language of ISE Rule 414(c), except that the Exchange proposes to specify that exercise exemption limits are available to members and member organizations to the extent that they are exempt from position limits pursuant to Rule 1001(l) (exempting equity option hedges) or Rule 1001(n) (exempting delta-based equity hedges).

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁵ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that its proposal promotes just and equitable principles of trade and a free and open market by granting exercise limit exemptions to a similar extent and under similar circumstances as do other options exchanges, while eliminating the onerous requirement that the Exchange's members and member organizations must obtain approval for such exemptions in each instance and pursuant to written requests. Additionally, broadening the availability of exercise limit exemptions would facilitate risk management practices of members and member organizations.

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

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

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

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

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.⁶

A proposed rule change filed under Rule 19b-4(f)(6)⁷ normally does not become operative prior to 30 days after the date of the filing. However, Rule 19b-4(f)(6)(iii)⁸ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing.

The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. The Commission notes that the Exchange's proposal to adopt exemptions from exercise limits tracks the exemptions from such limits already in place in the rules of ISE. Accordingly, the Commission hereby waives the 30-day

⁶ In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

⁷ 17 CFR 240.19b-4(f)(6).

⁸ 17 CFR 240.19b-4(f)(6)(iii).

operative delay and designates the proposed rule change as operative upon filing.⁹

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)¹⁰ of the Act to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act.

Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);
- or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2017-32 on the subject line.

Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

⁹ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹⁰ 15 U.S.C. 78s(b)(2)(B).

All submissions should refer to File Number SR-Phlx-2017-32. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer

to File Number SR-Phlx-2017-32 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Eduardo A. Aleman
Assistant Secretary

¹¹ 17 CFR 200.30-3(a)(12).