

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-91238; File No. SR-Phlx-2021-10)

March 2, 2021

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing of Proposed Rule Change to Permit Monday and Wednesday expirations for options listed pursuant to the Short Term Option Series Program on the Invesco QQQ TrustSM Series (“QQQ”) ETF Trust

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 February 22, 2021, 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 permit Monday and Wednesday expirations for options listed pursuant to the Short Term Option Series Program on the Invesco QQQ TrustSM Series (“QQQ”) ETF Trust.

The text of the proposed rule change is available on the Exchange’s Website at <https://listingcenter.nasdaq.com/rulebook/phlx/rules>, 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend Phlx Options 4, Section 5 at Commentary .11 to allow Monday and Wednesday expirations for options listed pursuant to the Short Term Option Series Program (“Program”) on QQQ.

A Short Term Option Series means a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Monday, Tuesday, Wednesday, Thursday or Friday that is a business day and that expires on the Monday, Wednesday or Friday of the next business week, or, in the case of a series that is listed on a Friday and expires on a Monday, is listed one business week and one business day prior to that expiration.³ The Exchange is proposing to amend Phlx Options 4, Section 5 at Commentary .11 to permit the listing of options series that expire on Mondays and Wednesdays in QQQ.

³ Options 1, Section 1(b)(53) provides the term “Short Term Option Series” [sic] a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Monday, Tuesday, Wednesday, Thursday or Friday that is a business day and that expires on the Monday, Wednesday or Friday of the next business week, or, in the case of a series that is listed on a Friday and expires on a Monday, is listed one business week and one business day prior to that expiration. If a Tuesday, Wednesday, Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Tuesday, Wednesday, Thursday or Friday, respectively. For a series listed pursuant to this section for Monday expiration, if a Monday is not a business day, the series shall expire on the first business day immediately following that Monday.

Monday Expirations

As proposed, with respect to Monday QQQ Expirations within Commentary .11 to Options 4, Section 5, the Exchange may open for trading on any Friday or Monday that is a business day series of options on QQQ to expire on any Monday of the month that is a business day and is not a Monday in which Quarterly Options Series on the same class expire (“Monday QQQ Expirations”), provided that Monday QQQ Expirations that are listed on a Friday must be listed at least one business week and one business day prior to the expiration. The Exchange may list up to five consecutive Monday QQQ Expirations at one time; the Exchange may have no more than a total of five Monday QQQ Expirations.

Wednesday Expirations

As proposed, with respect to Wednesday QQQ Expirations within Commentary .11 to Options 4, Section 5, the Exchange may open for trading on any Tuesday or Wednesday that is a business day series of options on QQQ to expire on any Wednesday of the month that is a business day and is not a Wednesday in which Quarterly Options Series on the same class expire (“Wednesday QQQ Expirations”). The Exchange may list up to five consecutive Wednesday QQQ Expirations at one time; the Exchange may have no more than a total of five Wednesday QQQ Expirations and a total of five Wednesday QQQ Expirations will be subject to the provisions of this Rule.

Monday and Wednesday Expirations

The interval between strike prices for the proposed Monday and Wednesday QQQ Expirations will be the same as those for the current Short Term Option Series for Wednesday and Friday expirations applicable to the Program.⁴ Specifically, the Monday and Wednesday

⁴ See Commentary .11(e) to Options 4, Section 5.

QQQ Expirations will have a \$0.50 strike interval minimum.⁵ As is the case with other equity options series listed pursuant to the Program, the Monday and Wednesday QQQ Expiration series will be P.M.-settled.

Pursuant to Options 1, Section 1(b)(53), with respect to the Program, if Monday is not a business day the series shall expire on the first business day immediately following that Monday. This procedure differs from the expiration date of Wednesday expiration series that are scheduled to expire on a holiday. Pursuant to Options 1, Section 1(b)(53) a Wednesday expiration series shall expire on the first business day immediately prior to that Wednesday, e.g., Tuesday of that week, if the Wednesday is not a business day. For purposes of QQQ, however, the Exchange believes that it is preferable to require Monday expiration series in this scenario to expire on the Tuesday of that week rather than the previous business day, e.g., the previous Friday, since the Tuesday is closer in time to the scheduled expiration date of the series than the previous Friday, and therefore may be more representative of anticipated market conditions. Monday SPY expirations are treated in this manner today.⁶ Cboe Exchange, Inc. (“Cboe”) uses the same procedure for options on the S&P 500 index (“SPX”) with Monday expirations that are listed pursuant to its Nonstandard Expirations Pilot Program and that are scheduled to expire on a holiday.⁷ Also, Nasdaq Phlx LLC (“Phlx”)⁸ and Nasdaq ISE, LLC (“ISE”)⁹ use the same

⁵ See Commentary .11(e) to Options 4, Section 5.

⁶ See Commentary .11 at Options 4, Section 5.

⁷ See Cboe Rule 4.13(e)(1) “...If the Exchange is not open for business on a respective Monday, the normally Monday expiring Weekly Expirations will expire on the following business day. If the Exchange is not open for business on a respective Wednesday or Friday, the normally Wednesday or Friday expiring Weekly Expirations will expire on the previous business day.”

⁸ See Phlx Options 4A, Section 12(b)(5).

⁹ See ISE Supplementary Material .07 to Options 4A, Section 12.

procedure for options on the Nasdaq-100® (“NDX”) with Monday expirations that are listed pursuant to its [sic] Nonstandard Expirations Pilot Programs, respectively.

Currently, for each option class eligible for participation in the Program, the Exchange is limited to opening thirty (30) series for each expiration date for the specific class.¹⁰ The thirty (30) series restriction does not include series that are open by other securities exchanges under their respective short term option rules; the Exchange may list these additional series that are listed by other exchanges.¹¹ This thirty (30) series restriction would apply to Monday and Wednesday QQQ Expiration series as well. In addition, the Exchange will be able to list series that are listed by other exchanges, assuming they file similar rules with the Commission to list QQQ options expiring on Mondays and Wednesdays.

Finally, the Exchange is amending Commentary .11(b) to Options 4, Section 5, which addresses the listing of Short Term Options Series that expire in the same week as monthly or quarterly options series. Currently, that rule states that no Short Term Option Series may expire in the same week in which monthly option series on the same class expire (with the exception of Monday and Wednesday SPY Expirations) or, in the case of Quarterly Options Series, on an expiration that coincides with an expiration of Quarterly Option Series on the same class.¹² As with Monday and Wednesday SPY Expirations, the Exchange is proposing to permit Monday and Wednesday QQQ Expirations to expire in the same week as monthly options series on the same class. The Exchange believes that it is reasonable to extend this exemption to Monday and Wednesday QQQ Expirations because Monday and Wednesday QQQ Expirations and standard

¹⁰ See Commentary .11(a) to Options 4, Section 5.

¹¹ See Commentary .11(a) to Options 4, Section 5.

¹² See current Commentary .11(b) to Options 4, Section 5.

monthly options will not expire on the same trading day, as standard monthly options expire on Fridays. Additionally, the Exchange believes that not listing Monday and Wednesday QQQ Expirations for one week every month because there was a monthly QQQ expiration on the Friday of that week would create investor confusion.

The Exchange does not believe that any market disruptions will be encountered with the introduction of P.M.-settled Monday and Wednesday QQQ expirations. The Exchange has the necessary capacity and surveillance programs in place to support and properly monitor trading in the proposed Monday and Wednesday QQQ Expirations. The Exchange currently trades P.M.-settled Short Term Option Series that expire Monday and Wednesday for SPY and has not experienced any market disruptions nor issues with capacity. Today, the Exchange has surveillance programs in place to support and properly monitor trading in Short Term Option Series that expire Monday and Wednesday for SPY.

Similar to SPY, the introduction of QQQ Monday and Wednesday expirations will, among other things, expand hedging tools available to market participants and continue the reduction of the premium cost of buying protection. The Exchange believes that Monday and Wednesday QQQ expirations will allow market participants to purchase QQQ based on their timing as needed and allow them to tailor their investment and hedging needs more effectively.

Implementation

The Exchange intends to begin implementation of the proposed rule change in Q2 2021. The Exchange will issue an Options Trader Alert to Participants with the date of implementation.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of

the Act,¹³ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁴ 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 by providing the investing public and other market participants more flexibility to closely tailor their investment and hedging decisions in QQQ options, thus allowing them to better manage their risk exposure.

In particular, the Exchange believes the Program has been successful to date and that Monday and Wednesday QQQ Expirations should simply expand the ability of investors to hedge risk against market movements stemming from economic releases or market events that occur throughout the month in the same way that the Program has expanded the landscape of hedging. Similarly, the Exchange believes Monday and Wednesday QQQ Expirations should create greater trading and hedging opportunities and flexibility, and will provide customers with the ability to tailor their investment objectives more effectively. Phlx currently lists Monday and Wednesday SPY Expirations.¹⁵ Also, Cboe¹⁶ currently permits Monday and Wednesday expirations for other options with a weekly expiration, such as options on the SPX pursuant to its Nonstandard Expirations Pilot Program and Phlx¹⁷ and ISE¹⁸ currently permit Monday and Wednesday expirations for other options with a weekly expiration on NDX pursuant to its [sic] Nonstandard Expirations Pilot Programs, respectively.

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(b)(5).

¹⁵ See Commentary .11 at Options 4, Section 5.

¹⁶ See note 6 [sic] above.

¹⁷ See note 8 above.

¹⁸ See note 9 above.

With the exception of Monday expiration series that are scheduled to expire on a holiday, there are no material differences in the treatment of Monday and Wednesday QQQ expirations for Short Term Option Series. The Exchange believes that it is consistent with the Act to treat Monday expiration series that expire on a holiday differently than Wednesday or Friday expiration series, since the proposed treatment for Monday expiration series will result in an expiration date that is closer in time to the scheduled expiration date of the series, and therefore may be more representative of anticipated market conditions. Monday SPY expirations are treated in this manner today.¹⁹ Cboe²⁰ uses the same procedure for SPX options with Monday expirations that are listed pursuant to its Nonstandard Expirations Pilot Program and that are scheduled to expire on a holiday, as do Phlx²¹ and ISE²² for NDX options with Monday expirations that are listed pursuant to their Nonstandard Expirations Pilot Programs, respectively.

Given the similarities between Monday and Wednesday SPY Expirations and the proposed Monday and Wednesday QQQ Expirations, the Exchange believes that applying the provisions in Commentary .11 to Options 4, Section 5 that currently apply to Monday and Wednesday SPY Expirations to Monday and Wednesday QQQ Expirations is justified. For example, the Exchange believes that allowing Monday and Wednesday QQQ Expirations and monthly QQQ expirations in the same week will benefit investors and minimize investor confusion by providing Monday and Wednesday QQQ Expirations in a continuous and uniform manner. The Exchange also believes that is appropriate to amend Commentary .11(b) to Options

¹⁹ See Commentary .11 at Options 4, Section 5.

²⁰ Id. [sic]

²¹ See note 8 above.

²² See note 9 above.

4, Section 5 to clarify that no Short Term Option Series may expire on the same day as an expiration of Quarterly Option Series on the same class, same as SPY.

The Exchange represents that it has an adequate surveillance program in place to detect manipulative trading in Monday and Wednesday expirations, including Monday and Wednesday QQQ Expirations, in the same way that it monitors trading in the current Short Term Option Series and trading in Monday and Wednesday SPY Expirations. The Exchange also represents that it has the necessary systems capacity to support the new options series. Finally, the Exchange does not believe that any market disruptions will be encountered with the introduction of Monday and Wednesday QQQ expirations.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that having Monday and Wednesday QQQ expirations is not a novel proposal, as Monday and Wednesday SPY Expirations are currently listed on Phlx.²³ Cboe²⁴ uses the same procedure for SPX options with Monday expirations that are listed pursuant to its Nonstandard Expirations Pilot Program and that are scheduled to expire on a holiday, as do Phlx²⁵ and ISE²⁶ for NDX options with Monday expirations that are listed pursuant to their Nonstandard Expirations Pilot Programs, respectively.

The Exchange does not believe the proposal will impose any burden on intra-market competition, as all market participants will be treated in the same manner under this proposal.

²³ See Commentary .11 at Options 4, Section 5.

²⁴ Id. [sic]

²⁵ See note 8 above.

²⁶ See note 9 above.

Additionally, the Exchange does not believe the proposal will impose any burden on inter-market competition, as nothing prevents the other options exchanges from proposing similar rules to list and trade Short-Term Option Series with Monday and Wednesday expirations.

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

No written comments were either solicited or received.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2021-10 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-Phlx-2021-10. 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, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to

make available publicly. All submissions should refer to File Number SR-Phlx-2021-10 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.²⁷

J. Matthew DeLesDernier
Assistant Secretary

²⁷ 17 CFR 200.30-3(a)(12).