



SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-99644; File No. SR-PHLX-2024-06]

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Expand its Cabinet Proximity Option Program

February 29, 2024.

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 26, 2024, Nasdaq PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to expand the Exchange’s Cabinet Proximity Option program.

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

Currently, the Exchange offers a Cabinet Proximity Option program where, for a monthly fee, customers can obtain an option for future use on available, unused cabinet space in

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

proximity to their existing equipment. Cabinets reserved under the Cabinet Proximity Option program are unused cabinets that customers reserve for future use and can be converted to a powered cabinet at the customer's request. Under the program, customers can reserve up to maximum of 20 cabinets that the Exchange endeavors to provide as close as reasonably possible to the customer's existing cabinet space, taking into consideration power availability within segments of the datacenter and the overall efficiency of use of datacenter resources as determined by the Exchange. Should reserved datacenter space be needed for use, the reserving customer will have three business days to formally contract with the Exchange for full payment for the reserved cabinet space in contention or it will be reassigned. In making determinations to require exercise or relinquishment of reserved space as among numerous customers, the Exchange will take into consideration several factors, including: proximity between available reserved cabinet space and the existing space of a customer seeking additional space for actual cabinet usage; a customer's ratio of cabinets in use to those reserved; the length of time that a particular reservation(s) has been in place; and any other factor that the Exchange deems relevant to ensure overall efficiency in use of the datacenter space.³

Currently, the Exchange offers reservations for low, medium, medium/high, or high density cabinets under the Cabinet Proximity Option program.⁴ The purpose of the proposed rule change is to offer the Exchange's Cabinet Proximity Option program for cabinets with power densities greater than 10 kW, in addition to those reservations currently offered under the program.⁵ Although the Exchange has offered the Cabinet Proximity Option program since

³ See Securities Exchange Act Release No. 34-62395 (June 28, 2010), 75 FR 38584 (July 2, 2010) (SR-Phlx-2010-18).

⁴ See General 8, Section 1(d). Low density cabinets are cabinets with power densities less than or equal to 2.88 kilowatts ("kW"). Medium density cabinets are cabinets with power densities greater than 2.88 kW and less than or equal to 5 kW. Medium/High density cabinets are cabinets with power densities greater than 5 kW and less than or equal to 7 kW. High density cabinets are cabinets with power densities greater than 7 kW and less than 10 kW. See General 8, Section 1(a).

⁵ Currently, the Exchange offers Super High Density Cabinets with power densities greater than 10 kW and less than or equal to 17.3 kW. See General 8, Section 1(a). In addition, the Exchange intends to offer cabinets with new power densities in the future, including power densities greater than 17.3 kW.

2010,⁶ the Exchange has yet to offer reservations under the Cabinet Proximity Option program for cabinets with power densities greater than 10 kW (despite offering cabinets with power densities greater than 10 kW). The Exchange now wishes to offer the Cabinet Proximity Option program for these higher power density cabinets. Similar to the Exchange's Cabinet Proximity Option program, the New York Stock Exchange LLC ("NYSE") offers "PNU cabinets," which are reserved cabinets that are not active and can be converted to powered, dedicated cabinets when the user requests.⁷ NYSE's PNU cabinets are not limited to certain density cabinets and NYSE charges a fee per kW for PNU cabinets.⁸

The Exchange offers the Cabinet Proximity Option program as a convenience to customers. No firms are required to reserve cabinets via the Cabinet Proximity Option program and it is only for those customers that choose to collocate directly with the Exchange. Participants can avoid reserving cabinets under this program (and the related fee) by (1) collocating but not reserving space in advance of needing it; (2) ordering cabinet space immediately and paying cabinet fees (without reserving in advance); (3) collocating indirectly through a vendor to defray costs; or (4) not collocating at all.

Implementation

The Exchange intends to submit a fee filing in the future to establish related fees in the existing Cabinet Proximity Option Fees, in General 8, Section 1(d). Implementation of the proposal described herein to offer the Exchange's Cabinet Proximity Option program for cabinets with power densities greater than 10 kW would coincide with the subsequent fee filing.

⁶ See Securities Exchange Act Release No. 34-62395 (June 28, 2010), 75 FR 38584 (July 2, 2010) (SR-Phlx-2010-18).

⁷ Due to heightened demand for power and cabinets, NYSE established certain procedures related to PNU cabinet conversion and restrictions on new PNU cabinet offerings. NYSE adopted a policy that, if unallocated cabinet inventory is at or below 40 cabinets, new PNU cabinets are not offered. However, when the unallocated cabinet inventory is more than 40 cabinets, NYSE may continue to offer PNU cabinets. See Securities Exchange Act Release No. 34-90732 (December 18, 2020), 85 FR 84443 (December 28, 2020). See also Securities Exchange Act Release No. 34-91515 (April 8, 2021), 86 FR 19674 (April 14, 2021).

⁸ See NYSE Connectivity Fee Schedule, available at https://www.nyse.com/publicdocs/Wireless_Connectivity_Fees_and_Charges.pdf.

2. Statutory Basis

The Exchange believes that its proposal is consistent with section 6(b) of the Act,⁹ in general, and furthers the objectives of section 6(b)(5) of the Act,¹⁰ 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. The proposal would provide customers with the ability to obtain an option for future use on available, unused cabinet space in proximity to their existing equipment for those cabinets with power densities greater than 10 kW. Customers are currently able to obtain an option for future use on available, unused cabinet space in proximity to their existing equipment for smaller cabinets (e.g., for cabinets with power densities less than 10 kW). The proposal is consistent with the Act because it would clarify, in conjunction with a subsequent fee filing, that reservations under the Cabinet Proximity program are available for cabinets with power densities greater than 10 kW. The Cabinet Proximity Option program is comparable to PNU cabinets offered by NYSE, which may be offered for cabinets of all power densities (when the unallocated cabinet inventory is more than 40 cabinets).¹¹ Furthermore, the proposal would benefit the public interest by providing customers more reservation options to choose from, thereby enhancing their ability to tailor their collocation operations to the requirements of their business operations.¹² As noted above, the Exchange offers the Cabinet Proximity Option program as a convenience, not a necessity, and it is only for those customers that choose to collocate directly with the Exchange. Participants can avoid reserving cabinets under this program (and the related fee) by (1) collocating but not reserving space in advance of

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ Supra note 7.

¹² The Exchange believes that customer demand for power and cabinets will continue. The Exchange is currently working to expand the amount of power and number of cabinets available in collocation.

needing it; (2) ordering cabinet space immediately and paying cabinet fees (without reserving in advance); (3) collocating indirectly through a vendor to defray costs; or (4) not collocating at all.

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.

Nothing in the proposal imposes any burden on the ability of other exchanges to compete. The Exchange operates in a highly competitive market in which exchanges and other vendors offer colocation services as a means to facilitate the trading and other market activities of those market participants who believe that colocation enhances the efficiency of their operations. The Cabinet Proximity Option program is comparable to PNU cabinets offered by NYSE, as discussed above.

Nothing in the Proposal burdens intra-market competition because the Cabinet Proximity Option program is available to any customer and customers that wish to make reservations pursuant to the Cabinet Proximity Option program can do so on a non-discriminatory basis. Use of any colocation service is completely voluntary, and each market participant is able to determine whether to use colocation services based on the requirements of its business operations.

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

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time

as the Commission may designate, it has become effective pursuant to section 19(b)(3)(A) of the Act¹³ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁴

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act¹⁵ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)¹⁶ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Exchange states that a waiver of the operative delay would permit the Exchange to offer reservations under the Cabinet Proximity Option program for cabinets with greater power densities (e.g., greater than 10kW) without delay once a fee is established for such cabinets. The Commission believes that the proposed rule change presents no novel legal or regulatory issues and that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposed rule change operative upon filing.¹⁷

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.

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 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, 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.

¹⁵ 17 CFR 240.19b-4(f)(6).

¹⁶ 17 CFR 240.19b-4(f)(6)(iii).

¹⁷ 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).

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-2024-06 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-2024-06. 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 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 a.m. and 3 p.m. Copies of the filing also 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-2024-06 and should be submitted on or before **[INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].**

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁸

Sherry R. Haywood,

Assistant Secretary.

[FR Doc. 2024-04701 Filed: 3/5/2024 8:45 am; Publication Date: 3/6/2024]

¹⁸ 17 CFR 200.30-3(a)(12), (59).