



SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-102811; File No. SR-Phlx-2025-16]

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Phlx Options 7, Section 2

April 10, 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 April 1, 2025, 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, 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 the Pricing Schedule at Options 7, Section 2, Customer Rebate Program, to provide that if a member or member organization qualifies for two rebate incentives offered by the Exchange in notes “*” and “#” in a given month, the Exchange will only pay the higher of the two rebates in that month.

The text of the proposed rule change is available on the Exchange’s Website at <https://listingcenter.nasdaq.com/rulebook/phlx/rulefilings>, 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 the Pricing Schedule at Options 7, Section 2, Customer Rebate Program, to provide that if a member or member organization qualifies for two rebate incentives offered by the Exchange in notes “*” and “#” in a given month, the Exchange will only pay the higher of the two rebates in that month.

Customer Rebate

The Exchange proposes to amend the Pricing Schedule at Options 7, Section 2, “Customer Rebate Program.” Today, the Exchange pays rebates on five Customer Rebate Tiers according to four categories. The Customer Rebate Tiers below are calculated by totaling Customer volume in Multiply Listed Options (including SPY) that are electronically-delivered and executed, except volume associated with electronic Qualified Contingent Cross Orders, as defined in Options 3, Section 12.³

Customer Rebate Tiers	Percentage Thresholds of National Customer Volume in Multiply-Listed Equity and ETF Options Classes, excluding SPY Options (Monthly)	Category A	Category B	Category C	Category D
Tier 1	0.00% - 0.60%	\$0.00	\$0.00	\$0.00	\$0.00
Tier 2 ^{&}	Above 0.60% - 1.10%	\$0.10 *	\$0.10 *	\$0.16 * #	\$0.21 * #
Tier 3	Above 1.10% - 1.60%	\$0.15	\$0.12 *	\$0.18 * #	\$0.22 * #
Tier 4	Above 1.60% - 2.50%	\$0.20	\$0.16	\$0.22 #	\$0.26 #
Tier 5	Above 2.50%	\$0.21	\$0.17	\$0.22 #	\$0.27 #

³ Members and member organizations under Common Ownership may aggregate their Customer volume for purposes of calculating the Customer Rebate Tiers and receiving rebates. Affiliated Entities may aggregate their Customer volume for purposes of calculating the Customer Rebate Tiers and receiving rebates. See Options 7, Section 2.

The Exchange pays a Category A Rebate to members who execute electronically-delivered Customer Simple Orders in Penny Symbols and Customer Simple Orders in Non-Penny Symbols in Options 7, Section 4 symbols.⁴

The Exchange pays a Category B Rebate on Customer PIXL Orders⁵ in Options 7, Section 4 symbols that execute against non-Initiating Order interest. In the instance where member organizations qualify for Tier 4 or higher in the Customer Rebate Program, Customer PIXL Orders that execute against a PIXL Initiating Order are paid a rebate of \$0.14 per contract. Rebates on Customer PIXL Orders are capped at 4,000 contracts per order for Simple PIXL Orders.

The Exchange pays a Category C Rebate to members executing electronically-delivered Customer Complex Orders⁶ in Penny Symbols in Options 7, Section 4 symbols. Rebates are paid on Customer PIXL Complex Orders in Options 7, Section 4 symbols that execute against non-Initiating Order interest. Customer Complex PIXL Orders that execute against a Complex PIXL Initiating Order are not paid a rebate under any circumstances. The Category C Rebate is not paid when an electronically-delivered Customer Complex Order, including Customer Complex PIXL Order, executes against another electronically-delivered Customer Complex Order.

The Exchange pays a Category D Rebate to members executing electronically-delivered Customer Complex Orders in Non-Penny Symbols in Options 7, Section 4 symbols. Rebates are paid on Customer PIXL Complex Orders in Options 7, Section 4 symbols that execute against non-Initiating Order interest. Customer Complex PIXL Orders that execute against a Complex

⁴ Options 7, Section 4 describes pricing for Multiply Listed Options Fees (Includes options overlying equities, ETFs, ETNs and indexes which are Multiply Listed) (Excludes SPY and broad-based index options symbols listed within Options 7, Section 5.A).

⁵ PIXL Orders are entered into the Exchange's Price Improvement XL ("PIXL") Mechanism as described in Options 3, Section 13.

⁶ Complex Orders are described in Options 3, Section 14.

PIXL Initiating Order are not paid a rebate under any circumstances. The Category D Rebate is not paid when an electronically-delivered Customer Complex Order, including Customer Complex PIXL Order, executes against another electronically-delivered Customer Complex Order.⁷

Today, in note “*” the Exchange pays a \$0.02 per contract Category A and B rebate and a \$0.03 per contract Category C and D rebate in addition to the applicable Tier 2 and 3 rebate, provided the Lead Market Maker,⁸ Market Maker⁹ or Appointed MM¹⁰ has reached the Monthly Market Maker Cap¹¹ as defined in Options 7, Section 4, to: (1) a Lead Market Maker or Market Maker who is not under Common Ownership¹² or is not a party of an Affiliated Entity¹³; or (2)

⁷ Rebates are not paid on broad-based index options symbols listed within Options 7, Section 5.A. in any Category, however broad-based index options symbols listed within Options 7, Section 5.A. will count toward the volume requirement to qualify for a Customer Rebate Tier. See Options 7, Section 2.

⁸ The term “Lead Market Maker” applies to transactions for the account of a Lead Market Maker (as defined in Options 2, Section 12(a)). A Lead Market Maker is an Exchange member who is registered as an options Lead Market Maker pursuant to Options 2, Section 12(a). An options Lead Market Maker includes a Remote Lead Market Maker which is defined as an options Lead Market Maker in one or more classes that does not have a physical presence on an Exchange floor and is approved by the Exchange pursuant to Options 2, Section 11. See Options 7, Section 1(c).

⁹ The term “Market Maker” is defined in Options 1, Section 1(b)(28) as a member of the Exchange who is registered as an options Market Maker pursuant to Options 2, Section 12(a). A Market Maker includes SQTs and RSQTs as well as Floor Market Makers. The term “Streaming Quote Trader” or “SQT” is defined in Options 1, Section 1(b)(55) as a Market Maker who has received permission from the Exchange to generate and submit option quotations electronically in options to which such SQT is assigned. The term “Remote Streaming Quote Trader” or “RSQT” is defined in Options 1, Section 1(b)(49) as a Market Maker that is a member affiliated with an RSQTO with no physical trading floor presence who has received permission from the Exchange to generate and submit option quotations electronically in options to which such RSQT has been assigned. A Remote Streaming Quote Trader Organization or “RSQTO,” which may also be referred to as a Remote Market Making Organization (“RMO”), is a member organization in good standing that satisfies the RSQTO readiness requirements in Options 2, Section 1(a). See Options 7, Section 1(c).

¹⁰ The term “Appointed MM” is a Phlx Market Maker or Lead Market Maker who has been appointed by an Order Flow Provider (“OFP”) for purposes of qualifying as an Affiliated Entity. An OFP is a member or member organization that submits orders, as agent or principal, to the Exchange. See Options 7, Section 1(d).

¹¹ Lead Market Makers and Market Makers are subject to a “Monthly Market Maker Cap” of \$500,000 for: (i) electronic Option Transaction Charges, excluding surcharges and excluding options overlying broad-based index options symbols listed within Options 7, Section 5.A; and (ii) QCC Transaction Fees (as defined in Exchange Options 3, Section 12 and Floor QCC Orders, as defined in Options 8, Section 30(e)). See Options 7, Section 4.

¹² The term “Common Ownership” shall mean members or member organizations under 75% common ownership or control. See Options 7, Section 1(c).

¹³ The term “Affiliated Entity” is a relationship between an Appointed MM and an Appointed OFP for purposes of qualifying for certain pricing specified in the Pricing Schedule. Market Makers or Lead Market Makers, and OFPs are required to send an email to the Exchange to appoint their counterpart, at least 3 business days prior to the last day of the month to qualify for the next month. The Exchange will

an Order Flow Provider or “OFP” member or member organization affiliate under Common Ownership; or (3) an Appointed OFP¹⁴ of an Affiliated Entity.

In addition, today, in note “#” the Exchange pays a \$0.04 per contract Category C rebate and a \$0.02 per contract Category D rebate in addition to the applicable Tier 2, 3, 4 and 5 rebates to members or member organizations or member or member organization affiliated under Common Ownership provided the member or member organization qualified for any Market Access and Routing Subsidy or “MARS” Payments in Options 7, Section 6, Part E.

Proposal

At this time, the Exchange proposes to provide that in the event that a member or member organization has qualified for the rebates in both notes * and # in a given month, the Exchange will only pay the higher of the two rebates in that month. While the Exchange is proposing to pay only the higher of the two potential rebates, note * or note #, for which the member or member organization qualified for in a given month, the Exchange believes that the Customer Rebates and the additional incentives in these two notes will continue to incentivize members and member organizations to execute against Customer orders on Phlx for the opportunity to earn these rebates.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁵ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹⁶ in particular, in

acknowledge receipt of the emails and specify the date the Affiliated Entity is eligible for applicable pricing, as specified in the Pricing Schedule. Each Affiliated Entity relationship will commence on the 1st of a month and may not be terminated prior to the end of any month. An Affiliated Entity relationship will automatically renew each month until or unless either party terminates earlier in writing by sending an email to the Exchange at least 3 business days prior to the last day of the month to terminate for the next month. Members and member organizations under Common Ownership may not qualify as a counterparty comprising an Affiliated Entity. Each member or member organization may qualify for only one (1) Affiliated Entity relationship at any given time. See Options 7, Section 1(d).

¹⁴ The term “Appointed OFP” is an OFP who has been appointed by a Phlx Market Maker or Lead Market Maker for purposes of qualifying as an Affiliated Entity. See Options 7, Section 1(d).

¹⁵ 15 U.S.C. 78f(b).

¹⁶ 15 U.S.C. 78f(b)(4) and (5).

that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”¹⁷

Likewise, in NetCoalition v. Securities and Exchange Commission¹⁸ (“NetCoalition”) the D.C. Circuit upheld the Commission’s use of a market-based approach in evaluating the fairness of market data fees against a challenge claiming that Congress mandated a cost-based approach.¹⁹ As the court emphasized, the Commission “intended in Regulation NMS that ‘market forces, rather than regulatory requirements’ play a role in determining the market data . . . to be made available to investors and at what cost.”²⁰

Further, “[n]o one disputes that competition for order flow is ‘fierce.’ . . . As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution

¹⁷ Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

¹⁸ NetCoalition v. SEC, 615 F.3d 525 (D.C. Cir. 2010).

¹⁹ See NetCoalition, at 534 - 535.

²⁰ Id. at 537.

of order flow from broker dealers'"²¹ Although the court and the SEC were discussing the cash equities markets, the Exchange believes that these views apply with equal force to the options markets.

Customer Rebate Program

The Exchange's proposal to pay only the higher of the note * or note # rebates in the event that a member or member organization has qualified for both rebates in a given month is reasonable because the Exchange will continue to pay the Customer Rebates in Options 7, Section 2 in addition to the higher of the note * and note # rebates in that month to any qualifying member or member organization. The Exchange will no longer aggregate both rebates (note * and note #) in addition to the Customer Rebate Tier in a given month, even if the member or member organization qualified for both rebates in note * and note #. Despite this proposal, the Exchange believes that the Customer Rebates and the additional incentives will continue to incentivize members and member organizations to execute against Customer orders on Phlx for the opportunity to earn these rebates.

The Exchange's proposal to pay only the higher of note * or note # rebates in a given month in the event that a member or member organization has qualified for both rebates (note * and note #) is equitable and not unfairly discriminatory because the Exchange would uniformly pay only the higher of the note * and note # rebates in addition to the Customer Rebate Tier in a given month to any member or member organization who qualified for the rebates.

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.

Inter-market Competition

²¹ Id. at 539 (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

The proposal does not impose an undue burden on inter-market competition. The Exchange believes its proposal remains competitive with other options markets and will offer market participants with another choice of where to transact options. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

Intra-market Competition

The Exchange's proposal to pay only the higher of note * or note # rebates in a given month in the event that a member or member organization has qualified for both rebates (note * and note #) does not impose an undue burden on competition because the Exchange would uniformly pay only the higher of the note * and note # rebates in addition to the Customer Rebate Tier in a given month to any member or member organization who qualified for the rebates.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.²²

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or

²² 15 U.S.C. 78s(b)(3)(A)(ii).

(iii) 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-2025-16 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-2025-16. 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-2025-16 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.²³

Sherry R. Haywood,

Assistant Secretary.

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