



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104452; File No. SR-PHLX-2025-70]

### **Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend PHLX Equity 6, Section 4 (Exchange Sharing of PSX Participant Risk Settings) to Permit the Allocation of Responsibility to Clearing Members**

December 18, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 10, 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 PHLX Equity 6, Section 4 (Exchange Sharing of PSX Participant Risk Settings) to permit the allocation of responsibility to clearing members, and to make some technical changes to that rule.

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.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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

The Exchange proposes to amend PHLX Equity 6, Section 4 to permit the allocation of responsibility to clearing members. Specifically, the Exchange proposes to add a new Section 4(b) (Clearing Member Designation) to allow a PSX Participant that does not self-clear to allocate responsibility for establishing and adjusting its risk levels to a clearing member that clears transactions on behalf of the PSX Participant.<sup>3</sup> A clearing member guarantees transactions executed on the Exchange for PSX Participants with whom it has entered into a clearing arrangement, and therefore bears the risk associated with those transactions. Because a clearing member bears the risk on behalf of its associated PSX Participant, the Exchange believes that it is appropriate for the clearing member to have knowledge of what risk settings the PSX Participant may utilize within the Exchange’s trading system, as well as the option to set and adjust the risk levels. Therefore, the Exchange proposes to make a PSX Participant’s risk settings in PHLX Equity 6, Section 5 available to a clearing member, as well as the option to set and adjust the risk levels, if authorized by a PSX Participant.

For clarification, the Exchange does not guarantee that these risk controls will be sufficiently comprehensive to meet all of a PSX Participant’s needs, nor are the controls designed to be the sole means of risk management, and using these controls will not necessarily

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<sup>3</sup> The term “PSX Participant” has the meaning set forth in PHLX Equity 1, Section 1(c).

meet a PSX Participant’s obligations required by Exchange or federal rules—including, without limitation, Rule 15c3-5 under the Act<sup>4</sup> (“Rule 15c3-5”). Use of the Exchange’s risk settings in PHLX Equity 6, Section 5 will not automatically constitute compliance with Exchange or federal rules, and the responsibility for compliance with all Exchange and federal rules remains with the PSX Participant.<sup>5</sup>

If a PSX Participant chooses to designate responsibility to a clearing member, the PSX Participant may view any risk levels established by the clearing member pursuant to proposed PHLX Equity 6, Section 4(b). Even if a clearing member is designated, a PSX Participant will continue to be notified by the Exchange of any action taken regarding its trading activity. A PSX Participant may revoke the responsibility it has allocated to a clearing member at any time.

The Exchange also proposes labeling current rule PHLX Equity 6, Section 4(a) as PHLX Equity 6, Section 4(a) (Sharing Risk Settings). Additionally, the Exchange proposes to make a technical correction to PHLX Equity 6, Section 4(a). That rule currently refers to “the commentary below,” but the rule has no associated commentary. What happened is that in 2021, as part of a major rulebook reorganization effort, the Exchange redesignated PSX Rule 3215 as PHLX Equity 6, Section 4 and Section 5.<sup>6</sup> The text of PSX Rule 3215, minus its commentary, was redesignated as PHLX Equity 6, Section 4. Meanwhile, the commentary to PSX Rule 3215 was redesignated as PHLX Equity 6, Section 5. Therefore, the Exchange proposes substituting the reference to “the commentary below” in PHLX Equity 6, Section 4(a) with a reference to PHLX Equity 6, Section 5. The substance of the newly labeled and corrected PHLX Equity 6, Section 4(a) remains unchanged.

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<sup>4</sup> 17 CFR § 240.15c3-5.

<sup>5</sup> See SEC Division of Trading and Markets, Responses to Frequently Asked Questions Concerning Risk Management Controls for Brokers or Dealers with Market Access (Apr. 15, 2014), available at <https://www.sec.gov/rules-regulations/staff-guidance/trading-markets-frequently-asked-questions/divisionsmarketregfaq-0>.

<sup>6</sup> See Securities Exchange Act Release No. 91058 (Feb. 4, 2021), 86 FR 8966 (Feb. 10, 2021), at 8969 (File No. SR-Phlx-2021-04) (Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Relocate Its PSX Equity and General Rules From Its Current Rulebook Into Its New Rulebook Shell and Make Other Changes to the Phlx Rules).

The Exchange will announce the implementation date of the change described in this filing in an Equity Trader Alert at least 30 days prior to implementation. At present, the Exchange expects that the functionality described in this filing will be ready for implementation in the first quarter of 2026, although that time frame is subject to change.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>7</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>8</sup> 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.

As a preliminary matter, the Exchange notes that this proposal is not novel. Earlier this year The Nasdaq Stock Market LLC made a parallel change to its rulebook.<sup>9</sup> The language of Nasdaq Equity 6, Section 4(b) is substantively identical to the new rule text proposed by the Exchange in the present filing.<sup>10</sup>

The Exchange believes that the proposed amendment to PHLX Equity 6, Section 4 would provide clearing members, who have assumed certain risks of PSX Participants, greater control over risk tolerance and exposure on behalf of their correspondent PSX Participant, while helping to ensure that both the PSX Participant and its clearing member are aware of developing issues.

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<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

<sup>9</sup> See Securities Exchange Act Release No. 103211 (June 9, 2025), 90 FR 25095 (June 13, 2025) (File No. SR-NASDAQ-2025-043) (Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Equity 6, Section 4 (Exchange Sharing of Participant Risk Settings) to Permit the Allocation of Responsibility to Clearing Members) (“Nasdaq Filing”).

<sup>10</sup> As adopted in the Nasdaq Filing, this Nasdaq rule reads as follows: “Clearing Member Designation. A Participant that does not self-clear may allocate the responsibility for establishing and adjusting the risk levels identified in Equity 6, Section 5 to a clearing member that clears transactions on behalf of the Participant, if designated in a manner prescribed by the Exchange. A Participant that chooses to allocate responsibility to its clearing member may view any risk levels established by the clearing member pursuant to this Rule, and will be notified of any action taken by the Exchange with respect to its trading activity. A Participant may revoke responsibility allocated to its clearing member pursuant to this paragraph at any time, if designated in a manner prescribed by the Exchange.”

A clearing member guarantees transactions executed on Nasdaq for members with whom it has entered into a clearing arrangement, and therefore bears the risk associated with those transactions. The Exchange therefore believes that it is appropriate for a clearing member to have knowledge of what risk settings a PSX Participant may utilize within the Exchange's trading system, as well as the option to set and adjust the risk levels. The proposal will permit a clearing member with whom a PSX Participant has entered into a clearing arrangement to better monitor and manage the potential risks assumed by the clearing member, thereby providing the clearing member with greater control and flexibility over setting its own risk tolerance and exposure and aiding the clearing member in complying with the requirements of the Act.

The Exchange also believes that the proposed amendment will assist PSX Participants and clearing members in managing their financial exposure which, in turn, could enhance the integrity of trading on the securities markets and help to ensure the stability of the financial system. Moreover, a PSX Participant may revoke responsibility allocated to its clearing member at any time.

The Exchange believes that the proposed rule change does not unfairly discriminate among PSX Participants because the use of the risk settings under PHLX Equity 6, Section 5 would be available to all PSX Participants and their clearing members, if authorized. In addition, because all orders on the Exchange pass through the Exchange's risk checks, there would be no difference in the latency experienced by PSX Participants who have opted to use the risk settings versus those who have not opted to use them.<sup>11</sup>

Additionally, the Exchange believes that relabeling PHLX Equity 6, Section 4(a) as PHLX Equity 6, Section 4(a) (Sharing Risk Settings), and correcting the reference to the "commentary" in that rule to its current location in PHLX Equity 6, Section 5, are consistent

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<sup>11</sup> All Exchange orders pass through basic risk checks regardless of whether a PSX Participant opts into a risk setting.

with the Act because they make PHLX Equity 6, Section 4 easier to understand and navigate, which should aid all PSX Participants in following the rules of the Exchange.

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. The proposed rule change is designed to provide PSX Participants and their clearing members with additional means to monitor and control risk. The proposed rule may increase confidence in the proper functioning of the markets and contribute to additional competition among trading venues and broker-dealers. Rather than impede competition, the proposal is designed to facilitate more robust risk management by PSX Participants and clearing members, which, in turn, could enhance the integrity of trading on the securities markets and help to ensure the stability of the financial system. Additionally, the changes to PHLX Equity 6, Section 4(a) will not have any impact on competition, as they are merely technical in nature.

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)(iii) of the Act<sup>12</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>13</sup>

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>13</sup> 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.

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](mailto:rule-comments@sec.gov). Please include file number SR-PHLX-2025-70 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-2025-70. 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-2025-70 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.<sup>14</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>14</sup> 17 CFR 200.30-3(a)(12).