



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104821; File No. SR-Phlx-2026-04]

### **Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Options 9, Section 13 to Exempt Box Spread from Position Limits and to Amend Various Phlx Rules**

February 11, 2026.

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 January 28, 2026, 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 Options 2, Section 11 (Lead Market Maker Appointments); Options 3, Section 8 (Options Opening Process); Options 3, Section 10 (Electronic Execution Priority and Processing in the System); Options 3, Section 14 (Complex Orders); Options 3, Section 15 (Simple Order Risk Protections); Options 3, Section 22 (Limitations on Order Entry); Options 8, Section 25 (Floor Allocation); Options 8, Section 34 (FLEX Trading); Options 8, Section 39 (Option Minor Rule Violations and Order and Decorum Regulations); and Options 9, Section 13 (Position Limits).

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 Options 2, Section 11 (Lead Market Maker Appointments); Options 3, Section 8 (Options Opening Process); Options 3, Section 10 (Electronic Execution Priority and Processing in the System); Options 3, Section 14 (Complex Orders); Options 3, Section 15 (Simple Order Risk Protections); Options 3, Section 22 (Limitations on Order Entry); Options 8, Section 25 (Floor Allocation); Options 8, Section 34 (FLEX Trading); Options 8, Section 39 (Option Minor Rule Violations and Order and Decorum Regulations); Options 9, Section 13 (Position Limits). Each rule change will be described below.

**Options 2, Section 11**

The Exchange proposes to re-letter Options 2, Section 11(i) as (g) and to correct a cross-citation to paragraph (d) of Options 2, Section 11 to paragraph (e). The proposed amendments are non-substantive.

**Options 3, Section 8**

The Exchange proposes to add the words "unmatched contracts" in Options 3, Section 8, Opening Process. The addition of this rule text at Options 3, Section 8(k)(A) will add context to the words "side of the imbalance." The same language appears in Nasdaq ISE, LLC ("ISE") Options 3, Section 8(j)(1). This amendment is non-substantive.

### **Options 3, Section 10**

The Exchange proposes to relocate the rule text in Options 3, Section 10(b) which states,

**Applicability.** This rule does not apply to the Block Order Mechanism described within Options 3, Section 11(a), the Facilitation Mechanism described within Options 3, Section 11(b), the Solicited Order Mechanism described within Options 3, Section 11(d), PIXL described within Options 3, Section 13, and orders described within Options 3, Section 12, unless Options 3, Section 10 is specifically referenced within Phlx Rules applicable to the aforementioned functionality.

The Exchange proposes to relocate this rule text, without change, immediately before Options 3, Section 10(c) so that the priority overlays appear after subparagraph (a) to Options 3, Section 10.

This amendment is non-substantive.

### **Options 3, Section 14**

The Exchange proposes to relocate the description of a Cancel-Replacement Complex Order from Options 3, Section 14(a)(15) to Options 3, Section 14(a)(20), without change, within the Complex Order rule. Relocating this rule text will harmonize the rule text with ISE Options 3, Section 14(a)(20). This amendment is non-substantive.

### **Options 3, Section 15**

The Exchange proposes to remove the words “as is the case today,” from Options 3, Section 15(c)(3) which describes the Post-Only Quoting Protection. This rule text is unnecessary in this rule. This amendment is non-substantive.

### **Options 3, Section 22**

The Exchange proposes to amend Options 3, Section 22, Limitations on Order Entry, to amend “Members” to “Member” in Options 3, Section 22(a). This technical amendment is non-substantive.

### **Options 8, Section 34**

The Exchange inadvertently numbered Options 3, Section 34(i) with duplicate (2)s. At this time, the Exchange proposes to renumber Options 3, Section 34(i) as (1)- (5). This technical amendment is non-substantive.

## Options 9, Section 13

Phlx proposes to amend Options 9, Section 13, Position Limits, at subparagraph (l) which currently states,

Equity Option Hedge Exemptions. The following qualified hedge transactions and positions described in paragraphs 1-5 below shall be exempt from established position limits as prescribed under sections (g) and (d)(i) above. Hedge transactions and positions established pursuant to paragraphs (6) and (7) below are subject to a position limit equal to five (5) times the standard limit established under sections (g) and (d)(i).

First, the Exchange proposes to remove references to subparagraph (d)(i) which do not exist in the rule and instead cite to subparagraph (a) which contains position limits for certain securities.

Second, the Exchange proposes to correct an error with respect to hedge transactions to permit box spreads to be exempt from established position limits as prescribed under Options 9, Section 13(a)<sup>3</sup> and (g).

Currently, the rule text states that hedge transactions and positions established pursuant to Options 9, Section 13(l)(6) and (7) below are subject to a position limit equal to five (5) times the standard limit established under Options 9, Section 13(g) and (d)(i).<sup>4</sup> Paragraph (l)(6) references a box spread<sup>5</sup> and paragraph (l)(7) references OTC options positions.<sup>6</sup>

Phlx filed a rule proposal making clear that the five times standard was limited to OTC options contracts,<sup>7</sup> however Phlx inadvertently cited to Options 9, Section 14(l)(6) when it

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<sup>3</sup> The reference to Options 9, Section 13(d)(i) is being amended to subparagraph (a) with this proposal.

<sup>4</sup> See id.

<sup>5</sup> Options 9, Section 13(l)(6) states that a long call position accompanied by a short put position with the same strike price and a short call position accompanied by a long put position with a different strike price (“box spread”).

<sup>6</sup> Options 9, Section 13(l)(7) states that a listed option position hedged on a one-for-one basis with an over-the-counter (“OTC”) option position on the same underlying security. The strike price of the listed option position and corresponding OTC option position must be within one strike of each other and no more than one expiration month apart.

<sup>7</sup> See Securities Exchange Act Release No. 45889 (May 9, 2002), 67 FR 34980 (May 16, 2002) (SR-Phlx-2002-33) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. To Eliminate Position and Exercise Limits for Certain Qualified Hedge Strategies).

relocated rules in a subsequent rule change that copied SR-Cboe-2003-30.<sup>8</sup> The five times standard should apply only to OTC options contracts as evidenced by NYSE Arca, Inc. (“NYSE Arca”) Commentary .07 to Rule 5.17-O, Commentary .09 to NYSE American LLC (“NYSE American”) Rule 904, and FINRA Rule 2360(b)(3)(A)(ii).

At this time, the Exchange proposes to remove the citation to Options 9, Section 14(l)(6) with respect to a position limit equal to five (5) times the standard limit. The Exchange proposes to add paragraph (l)(6) to the list of exempt transactions in the first sentence of Options 9, Section 14(l) to properly reflect that box spreads are exempt from the position limits prescribed under Options 9, Section 13(a) and (d). At this time, the Exchange has been applying a stricter standard. With this change, members and member organizations would not have a position limit for a box spread and, therefore, would not have to unwind any position as a result of this amendment.

### **Market Maker and Lead Market Maker Defined**

The Exchange proposes to amend various references to the term “Specialist.” Phlx removed the word “Specialist” in a prior rule change<sup>9</sup> and replaced the word with “Lead Market Maker.” The Exchange inadvertently missed some changes in Options 3, Section 25; Options 8, Section 34; and Options 8, Section 39. Further, the Exchange proposes to replace the word “ROT” with “Market Maker” in Options 8, Section 25. The term “ROT” was removed in SR-Phlx-2020-03 as well. These amendments are non-substantive. The Exchange also proposes to change “a” to “an” within Options 8, Section 25(a). This amendment is non-substantive. The Exchange also proposes to renumber Options 8, Section 25(c)(3)(B)(3) as Options 8, Section 25(c)(3)(B)(iv).

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<sup>8</sup> See Securities Exchange Act Release No. 51322 (March 4, 2005), 70 FR 12260 (March 11, 2005) (SR-Phlx-2005-17) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto Relating to Position Limits and Exercise Limits).

<sup>9</sup> See Securities Exchange Act 88213 (February 14, 2020), 85 FR 9859 (February 20, 2020) (SR-Phlx-2020-03)(Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Relocate Rules From Its Current Rulebook Into Its New Rulebook Shell) (“Rulebook Relocation”).

Finally, the Exchange proposes to reserve Options 3, Section 26. This section is being reserved as another rule is proposed in this section for ISE.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>10</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>11</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.

The Exchange's proposal to re-letter Options 2, Section 11(i) as (g) and to correct a cross-citation to paragraph (d) of Options 2, Section 11 to paragraph (e) are non-substantive.

The Exchange's proposal to (1) add the words "unmatched contracts" in Options 3, Section 8, Opening Process; (2) relocate the rule text in Options 3, Section 10(b); (3) relocate the description of a Cancel-Replacement Complex Order from Options 3, Section 14(a)(15) to Options 3, Section 14(a)(20); (4) remove the words "as is the case today," from Options 3, Section 15(c)(3); (5) amend "Members" to "Member" in Options 3, Section 22(a); (6) renumber Options 8, Section 34(i) as (1)- (5); (7) replace the term "Specialist" with "Lead Market Maker" and the word "ROT" with "Market Maker"; and (8) reserve Options 3, Section 26, are consistent with the Act as these amendments are non-substantive technical amendments to the rules.

Phlx's proposal to amend Options 9, Section 14(1) to correct an error with respect to hedge transactions to permit box spreads to be exempt from established position limits as prescribed under Options 9, Section 13(a) and (d) is consistent with the Act. Current Options 9, Section 14(1)(6) references a box spread<sup>12</sup> and current Options 9, Section 14(1)(8) references

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<sup>10</sup> 15 U.S.C. 78f(b).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

<sup>12</sup> Options 9, Section 14(1)(6) states that a long call position accompanied by a short put position with the same strike price and a short call position accompanied by a long put position with a different strike price ("box spread").

OTC options positions.<sup>13</sup> Phlx filed a rule proposal making clear that the five times standard was limited to OTC options contracts,<sup>14</sup> however Phlx inadvertently cited to Options 9, Section 14(1)(6) when it relocated rules in a subsequent rule change that copied SR-Cboe-2003-30.<sup>15</sup> Removing the citation to Options 9, Section 14(1)(6) with respect to a position limit equal to five (5) times the standard limit and adding paragraph (1)(6) to the list of exempt transactions in the first sentence of Options 9, Section 14(1) would properly reflect that box spreads are exempt from the position limits prescribed under Options 9, Section 13(a) and (d). At this time, the Exchange has been applying a stricter standard.<sup>16</sup>

Today, NYSE Arca Commentary .07 to Rule 5.17-O, Commentary .09 to NYSE American Rule 904 and FINRA Rule 2360(b)(3)(A)(ii) apply the five times standard only to OTC options contracts and exempt box spreads from their position limit rules. At this time, the Exchange has been applying a stricter standard. With this change, members and member organizations would not have a position limit for a box spread and, therefore, would not have to unwind any position as a result of this amendment.

**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's proposal to amend Options 9, Section 13(1) to remove a reference to box spreads at paragraph (1)(6) so that they do not appear to have five times the position limit does not impose an undue burden on intra-market competition because all Phlx members and member

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<sup>13</sup> Options 9, Section 14(1)(8) states that a listed option position hedged on a one-for-one basis with an over-the-counter ("OTC") option position on the same underlying security. The strike price of the listed option position and corresponding OTC option position must be within one strike of each other and no more than one expiration month apart.

<sup>14</sup> See Securities Exchange Act Release No. 45889 (May 9, 2002), 67 FR 34980 (May 16, 2002) (SR-Phlx-2002-33) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. To Eliminate Position and Exercise Limits for Certain Qualified Hedge Strategies).

<sup>15</sup> See Securities Exchange Act Release No. 51322 (March 4, 2005), 70 FR 12260 (March 11, 2005) (SR-Phlx-2005-17) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto Relating to Position Limits and Exercise Limits).

<sup>16</sup> A similar change is being proposed to Nasdaq ISE, LLC rules at Options 9, Section 14.

organization that transact box spreads would be exempt from the position limits in Options 9, Section 13(a) and (d).

The Exchange's proposal to amend Options 9, Section 13(l) to remove a reference to box spreads at paragraph (l)(6) so that they do not appear to have five times the position limit does not impose an undue burden on inter-market competition as other options exchanges<sup>17</sup> have similar position limit rules that exempt box spreads from position limits.

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>18</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>19</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>20</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>21</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay so that the proposed rule change may become operative immediately upon filing. The Commission believes that waiver of the 30-day operative delay is

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<sup>17</sup> See NYSE Arca Commentary .07 to Rule 5.17-O, Commentary .09 to NYSE American Rule 904 and FINRA Rule 2360(b)(3)(A)(ii).

<sup>18</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>19</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.

<sup>20</sup> 17 CFR 240.19b-4(f)(6).

<sup>21</sup> 17 CFR 240.19b-4(f)(6)(iii).

consistent with the protection of investors and the public interest as the proposal raises no new or novel issues. Accordingly, the Commission waives the 30-day operative delay and designates the proposed rule change to be operative upon filing.<sup>22</sup>

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-2026-04 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-2026-04. 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

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<sup>22</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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-2026-04 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>23</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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