



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105264; File No. SR-Phlx-2026-22]

### Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Various Auction Mechanisms

April 17, 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 April 10, 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, 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 permit orders for the accounts of Market Makers assigned to the options class to be solicited for the initiating order<sup>3</sup> submitted for execution against an agency order into a Facilitation Mechanism, the Solicited Order Mechanism (“SOM”) or a Price Improvement Auction (“PIXL”), as well as a FLEX PIXL or FLEX SOM.

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.

---

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

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

<sup>3</sup> The “initiating order” is the order comprised of principal interest or a solicited order(s) submitted to trade against the order the submitting member represents as agent (the “Agency Order”).

## 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 Supplementary Material .01 and .03 to Options 3, Section 11 (Auction Mechanisms), Options 3, Section 13(a)(7) (Price Improvement XL (“PIXL”), Options 3A, Section 12 (FLEX Price Improvement Mechanism (“FLEX PIXL” or “FLEX PIXL Auction”) and Supplementary Material .02 to Options 3A, Section 13 (FLEX Solicited Order Mechanism (“FLEX SOM” or “FLEX SOM Auction”) to permit orders by members in a Facilitation Mechanism, a SOM, a PIXL, a FLEX PIXL or a FLEX SOM to trade against the Agency Orders<sup>4</sup> for the accounts of Market Makers<sup>5</sup> assigned to the options class. Cboe Exchange, Inc. (“Cboe”) recently received approval to amend its rules in an identical

---

<sup>4</sup> Agency Orders are orders entered by a member that are represented as agent.

<sup>5</sup> A “Market Maker” means a Streaming Quote Trader or a Remote Streaming Quote Trader who enters quotations for his own account electronically into the System. See Options 1, Section 1(b)(29). A “Streaming Quote Trader” or “SQT” means 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. An SQT may only submit such quotations while such SQT is physically present on the trading floor of the Exchange. An SQT may only submit quotes in classes of options in which the SQT is assigned. See Options 1, Section 1(b)(54). A “Remote Streaming Quote Trader” or “RSQT” means a Market Maker that is a member affiliated with an Remote Streaming Quote Trader Organization 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 qualified RSQT may function as a Remote Lead Market Maker upon Exchange approval. An RSQT is also known as a Remote Market Maker (“RMM”) pursuant to Options 2, Section 11. A Remote Streaming Quote Organization (“RSQTO”) or Remote Market Maker Organization (“RMO”) are Exchange member organizations that have qualified pursuant to Options 2, Section 1. See Options 1, Section 1(b)(49).

manner.<sup>6</sup> The Exchange also proposes an amendment to Options 5, Section 4 relating to the handling of Immediate-or-Cancel Orders.<sup>7</sup>

## **Background**

### *PIXL*

A PIXL Auction is an electronic auction intended to provide an Agency Order with the opportunity to receive price improvement (over the National Best Bid or Offer (“NBBO”)). There is no specific size requirement for a PIXL Auction. Upon submitting an Agency Order into a PIXL, the initiating member must also submit a contra-side paired order. The initiating order guarantees that the Agency Order will receive an execution at no worse than the auction price. Upon commencement of an auction, market participants may submit responses to trade against the Agency Order.<sup>8</sup> At the conclusion of a PIXL, the Agency Order will be executed in full at the best prices available, taking into consideration all Exchange quotes, orders and PAN responses.<sup>9</sup> Phlx’s PIXL is very similar to Cboe’s Automated Price Improvement Mechanism or

---

<sup>6</sup> See Securities Exchange Act Release No. 105054 (March 19, 2026) (SR-Cboe-2025-90)[sic]. Cboe received approval to permit orders for the accounts of market-makers with an appointment in the applicable class on the Exchange, in all classes, to be solicited for the initiating order submitted for execution against an agency order into a simple AIM, simple SAM, FLEX AIM or FLEX SAM Auction.

<sup>7</sup> Immediate-or-Cancel is an order entered with a TIF of “IOC” that is to be executed in whole or in part upon receipt. Any portion not so executed is to be treated as cancelled. See Supplementary Material .02(d) to Options 3, Section 7.

<sup>8</sup> See Options 3, Section 11(b)(3) and (d)(2) and Section 13(b)(1)(F). See also Options 3A, Section 12(c)(5) and Section 13(c)(5). Responses in PIXL are called PAN responses.

<sup>9</sup> If the initiating member selected the single stop price option of the PIXL Auction (except if it is a Complex Order), PIXL executions will occur at prices that improve the stop price, and then at the stop price with up to 40% or such lower percentage requested by the initiating member. See Options 3, Section 13(b)(5)(B)(i). If the initiating member selected the auto-match option of the PIXL Auction, the Initiating member shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point until a price point is reached where the balance of the order can be fully executed, except that the initiating member shall be entitled to receive up to 40% if there are multiple competing quotes, orders or PAN responses or such lower percentage requested by the Initiating member or 50% if there is only one competing quote, order or PAN response provided the initiating member had not designated a percentage designation of “Surrender” when initiating the Auction of the initial size of the PIXL Order at the final price point. See Options 3, Section 13(b)(5)(B)(ii). If the Initiating member selected the “stop and NWT” option of the PIXL Auction, then contracts are allocated first to quotes, orders and PAN responses at prices better than the NWT price (if any), beginning with the best price, then to quotes, orders and PAN responses at prices at the Initiating member’s NWT price and better than the Initiating member’s stop price, beginning with the NWT price. The Initiating member shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point, except that the Initiating member shall be entitled to receive up to 40% if there are multiple competing quotes, orders or PAN responses or 50% if there is only one competing quote, order or PAN response of the initial size of the PIXL Order at the final price point including situations where the final

“AIM.”<sup>10</sup> Options 3A, Section 12 describes a FLEX PIXL Auction. Phlx’s FLEX PIXL is consistent with non-FLEX PIXL auction behavior.<sup>11</sup> Additionally, Phlx’s FLEX PIXL is similar to Cboe Rule 5.73.

### *SOM*

Options 3, Section 11(d) and Options 3A, Section 13 contain the requirements applicable to the execution of Agency Orders using SOM. A SOM Auction is an electronic auction intended to provide a larger-sized (orders of 500 or more contracts) Agency Order with the opportunity to receive price improvement over the NBBO. Options 3, Section 13 and Options 3A, Section 12 contain the requirements applicable to the execution of orders the member represents as agent using PIXL. A PIXL Auction is an electronic auction intended to provide an Agency Order with the opportunity to receive price improvement (over the National Best Bid or Offer (“NBBO”). Upon submitting an Agency Order into a SOM, the initiating member must also submit a contra-side paired order. The initiating order guarantees that the Agency Order will receive an execution at no worse than the auction price. Upon commencement of an

---

price is the stop price after Public Customer interest has been satisfied but before remaining interest. In the case of an Initiating Order with a NWT price at the market, the Initiating member shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at all price points, except that the Initiating member shall be entitled to receive up to 40% if there are multiple competing quotes, orders or PAN responses or 50% if there is only one competing quote, order or PAN response of the initial size of the PIXL Order at the final price point including situations where the final price is the stop price after Public Customer interest has been satisfied but before remaining interest. See Options 3, Section 13(b)(5)(B)(iii). Scenarios for Complex Orders are noted at Options 3, Section 13(b)(5)(B)(iv) – (vii).

<sup>10</sup> An AIM Auction is an electronic auction intended to provide an Agency Order with the opportunity to receive price improvement (over the National Best Bid or Offer (“NBBO”). Upon submitting an Agency Order into an AIM Auction, the initiating Trading Permit Holder (“Initiating TPH”) must also submit a contra-side second order (“Initiating Order”) for the same size as the Agency Order. The Initiating Order guarantees that the Agency Order will receive an execution at no worse than the auction price. Upon commencement of an auction, market participants may submit responses to trade against the Agency Order. See Cboe Rule 5.37(c)(5). At the conclusion of an AIM Auction, depending on the contra-side interest (including auction responses) available, the Initiating Order may be allocated a certain percentage (or more) of the Agency Order. See Cboe Rule 5.37(e).

<sup>11</sup> See Securities Exchange Act Release No. 103759 (August 21, 2025), 90 FR 41636 (August 26, 2025) (SR-Phlx-2025-38) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt Electronic FLEX Options Rules). Footnote 138 notes that the Exchange’s proposal will be consistent with current non-FLEX auction behavior, including current PIXL behavior.

auction, market participants may submit responses to trade against the Agency Order.<sup>12</sup> At the conclusion of a SOM, execution will depend on whether there is sufficient size to execute the entire Agency Order at an improved price (or prices)<sup>13</sup> as the SOM is designated as all-or-none.<sup>14</sup> Phlx's SOM is very similar to Cboe's Solicited Auction Mechanism or "SAM."<sup>15</sup> Options 3A, Section 13 describes a FLEX SOM Auction. Phlx's FLEX SOM is consistent with non-FLEX SOM auction behavior.<sup>16</sup> Additionally, Phlx's FLEX SOM is similar to Cboe Rule 5.74.

#### *Facilitation Mechanism*

Options 3, Section 11(b) describes a Facilitation Mechanism which is an electronic auction intended to provide a larger-sized Agency Order with the opportunity to receive price improvement over the NBBO. Block-sized orders (fifty (50) contracts or more pursuant to Options 3, Section 11(a)) may be entered into a Facilitation Mechanism by a member to facilitate a customer order it represents as agent. Members must be willing to execute the entire size of

---

<sup>12</sup> See Options 3, Section 11(b)(3) and (d)(2) and Section 13(b)(1)(F). See also Options 3A, Section 12(c)(5) and Section 13(c)(5). Responses in PIXL are called PAN responses.

<sup>13</sup> If at the time of execution there is insufficient size to execute the entire Agency Order at an improved price (or prices), the Agency Order will be executed against the solicited order at the proposed execution price so long as, at the time of execution: (i) the execution price is equal to or better than the best bid or offer on the Exchange, and (ii) there are no Public Customer Orders or Public Customer Responses on the Exchange that are priced equal to the proposed execution price. If there are Public Customer Orders or Public Customer Responses on the Exchange on the opposite side of the Agency Order at the proposed execution price and there is sufficient size to execute the entire size of the Agency Order, the Agency Order will be executed against the bid or offer, and the solicited order will be cancelled. See Options 3, Section 11(d)(3)(A). If at the time of execution there is sufficient size to execute the entire Agency Order at an improved price (or prices), the Agency Order will be executed at the improved price(s), provided the execution price is equal to or better than the best bid or offer on the Exchange, and the solicited order will be cancelled. See Options 3, Section 11(d)(3)(B). In each case the aggregate size of all orders, quotes and Responses at each price will be used to determine whether the entire agency order can be executed at an improved price (or prices).

<sup>14</sup> See Options 3, Section 11(d).

<sup>15</sup> A SAM Auction is an electronic auction intended to provide a larger-sized Agency Order with the opportunity to receive price improvement over the NBBO. Upon submitting an Agency Order into a SAM Auction, the initiating Trading Permit Holder ("Initiating TPH") must also submit a contra-side second order ("Initiating Order") for the same size as the Agency Order. The Initiating Order guarantees that the Agency Order will receive an execution at no worse than the auction price. Upon commencement of an auction, market participants may submit responses to trade against the Agency Order. See Cboe Rule 5.39(c)(5). At the conclusion of a SAM Auction, depending on the contra-side interest (including auction responses) available, the Initiating Order may be allocated the entire Agency Order or none of the Agency Order. See Cboe Rule 5.39(e).

<sup>16</sup> See Securities Exchange Act Release No. 103759 (August 21, 2025), 90 FR 41636 (August 26, 2025) (SR-Phlx-2025-38) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt Electronic FLEX Options Rules). Footnote 138 notes that the Exchange's proposal will be consistent with current non-FLEX auction behavior, including current SOM behavior.

orders entered into the Facilitation Mechanism pursuant to Options 3, Section 11(b). Under this mechanism, a member submits a Facilitation Order along with a matching contra-side order, and the System initiates an auction during which other participants may submit competing responses. At the conclusion of the auction, the facilitating member is entitled to a guaranteed participation right at the final execution price, provided the member's price matches or improves upon the best competing response. Pursuant to Options 3, Section 11(b)(4)(B), the facilitating member may be allocated up to forty percent (40%) (or such lower percentage requested by the member) of the original size of the facilitation order, but only after better-priced Responses, orders and quotes, as well as Public Customer Orders and Public Customer Responses at the facilitation price, are executed in full at such price point.

The Exchange notes that Cboe does not have a Facilitation Mechanism. The Phlx Facilitation Mechanism is similar to Cboe's SAM. The key differences are:

- the Phlx Facilitation Mechanism requires a minimum of 50 contracts pursuant to Options 3, Section 11(b) while a Cboe SAM requires a minimum of 500 contracts pursuant to Cboe Rule 5.39(a)(3);
- Cboe's SAM has an all-or-none allocation at Cboe Rule 5.39(e) while the Phlx Facilitation Mechanism must be willing to execute the entire size at Options 3, Section 11(b); and
- Cboe Rule 5.39 requires that a Cboe Trading Permit Holder submit for execution an order it represents as agent ("Agency Order") against a solicited order(s) (which cannot have a Capacity F for the same EFID as the Agency Order into a SAM pursuant to Cboe Rule 5.39 wherein the Agency Order and Solicited Order cannot both be for the accounts of Priority Customers whereas the Phlx Facilitation Mechanism does not have similar limitations.

These aforementioned differences do not result in a different analysis as to the impact of permitting orders by members in a Facilitation Mechanism to trade against the Agency Orders for the accounts of Market Makers assigned to the options class. The Exchange's analysis below applies to the Facilitation Mechanism as it applies to a SOM, PIXL or FLEX SOM or FLEX PIXL.

## **Proposal**

Currently, Supplementary Material .01 and .03 to Options 3, Section 11, Options 3, Section 13(a)(7), Options 3A, Section 12, and Supplementary Material .02 to Options 3A, Section 13 prohibit orders by members in a Facilitation Auction, SOM, PIXL, FLEX PIXL or FLEX SOM (collectively “Paired Auctions”), respectively, to trade against the Agency Orders for the accounts of Market Makers assigned to the options class. The Exchange notes Phlx Market Makers may not be solicited as the contra-side for complex Facilitation Auctions, SOMs and PIXLs. Cboe does not similarly limit the contra-side for their complex AIM, complex SAM, complex FLEX AIM or complex FLEX SAM auctions.<sup>17</sup> The Exchange’s proposal would therefore apply to both simple and complex orders.

While market participants other than assigned Market Makers may contribute liquidity to these Paired Auctions as either a contra-side order or responses, assigned Market Makers, who are the primary source of liquidity on the Exchange in their assigned options, are limited in the manner in which they may provide liquidity to these Paired Auctions. Given that contra-side orders that comprise initiating orders may be allocated a percentage of the Agency Order at the conclusion of the auctions, the limited ability of assigned Market Makers to participate in a Paired Auction may reduce the execution opportunities for these liquidity providers, which execution opportunities are available to other market participants who may be solicited or submit responses.

The Exchange believes that eliminating the prohibition against assigned Market Makers acting as the contra-side in Paired Auctions would enhance price improvement opportunities in the Paired Auctions. This is particularly true for retail and smaller Public Customer orders in a PIXL. Allowing assigned Market Makers registered with the Exchange to be facilitated or solicited as contra-side may result in exposure of more small Public Customer orders to potential price improvement via auction processes in a PIXL. The Exchange further notes that Options 3,

---

<sup>17</sup> See supra note 6.

Section 22(d) (Limitations on Order Entry) provides that, prior to or after submitting an order to Phlx, a member cannot inform another member or any other third party of any of the terms of the order for purposes of violating this Rule. This protection will remain in place under the proposed rule change to address any potential information leakage concerns in the Paired Auctions as Options 3, Section 22 applies to the Paired Auctions.

The Exchange believes that the restriction has become operationally outdated in current market structure. It is common practice that Agency Orders already involve the same Market Maker firm acting as both the contra-side (in an away Market Maker capacity) and auction respondent (as an assigned Market Maker registered on the Exchange). Eliminating this restriction would reduce an arbitrary and unnecessary burden and allow Market Makers to structure more efficient auction processes, which may ultimately promote greater competition among Market Makers and provide market participants with enhanced opportunities for price improvement.

The Exchange is proposing to amend Supplementary Material .01 and .03 to Options 3, Section 11, Options 3, Section 13(a)(7), Options 3A, Section 12, and Supplementary Material .02 to Options 3A, Section 13 to permit orders for the accounts of Market Makers in an assigned options class to be solicited for the initiating order submitted for execution against an Agency Order in all options. The Exchange believes providing assigned Market Makers with an additional way to participate in Paired Auctions will expand available liquidity for these Paired Auctions, which may increase execution and price improvement opportunities, particularly for Public Customer orders in a PIXL. The Exchange notes that no similar restriction applies to crossing transactions in open outcry trading.<sup>18</sup> Brokers seeking liquidity to execute against customer orders on the trading floor regularly solicit assigned Floor Market Makers in the applicable class for this liquidity, as they are generally the primary source of liquidity in a class.

---

<sup>18</sup> See Phlx Options 8 Rules.

Therefore, the Exchange believes the proposed rule change will further align open outcry and Paired Auctions and the execution and price improvement opportunities available in both auctions by permitting the same participants to be solicited as the contra-side in the Paired Auctions across all options at all times.

In addition to Cboe, the Exchange notes the electronic price improvement auction of another options exchange currently permits orders for the accounts of appointed market-makers to be solicited as the contra-side for that auction.<sup>19</sup>

#### Options 5, Section 4

The Exchange proposes to amend subparagraph (a) at Options 5, Section 4, Order Routing, which currently states, “Immediate-or-Cancel (“IOC”) Orders will be cancelled immediately if not executed, and will not be routed.” The Exchange proposes to instead state that, “Immediate-or-Cancel (“IOC”) Orders will be rejected and will not be routed.” While the current sentence reflects the operation of IOC Orders as provided in Supplementary Material .02(d) to Options 3, Section 7, within the context of routing, the sentence may be confusing. Options 5, Section 4 explains the manner in which various order types are handled differently for purposes of routing. An IOC Order will not rest on the order book by its definition and cannot route. The Exchange proposes to amend the language to be clear that IOC Orders are not subject to routing and therefore would be rejected. This proposed language is consistent with Supplementary Material .02(d) to Options 3, Section 7 and makes clear the treatment of IOC Orders for purposes of Options 5, Section 4.

#### **Implementation**

The Exchange proposes to implement these proposed changes on or before Q3 2026. The Exchange will issue an Options Trader Alert indicating the date the changes will be implemented.

---

<sup>19</sup> See NYSE American, Inc. (“American”) Rule 971.1NY and NYSE Pillar Options FIX Gateway Protocol Specification, Section 5.2, New Cross Order. See also <https://www.nyse.com/markets/american-options/cube-customer-best-execution>.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>20</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>21</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.

In particular, the Exchange believes the proposed rule change will promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system because it will provide the primary liquidity providers on the Exchange with an additional way to participate in Paired Auctions. Additionally, by permitting brokers to solicit primary liquidity providers in a class for Paired Auctions, the Exchange believes brokers will be able to more efficiently locate liquidity to fill their customer orders, particularly during times of volatility. As a result, the Exchange believes the proposed rule change will likely expand available liquidity for these Paired Auctions, which may create additional execution and price improvement opportunities for market participants at all times, which ultimately benefits investors.

The Exchange believes the proposed rule change is consistent with the Act because it will further align open outcry and Paired Auctions and the execution and price improvement opportunities available in both auctions by permitting the same participants to be solicited as the contra-side in both types of auctions across all options. Currently, assigned Market Makers may be solicited with respect to crossing transactions on trading floors but may not be solicited with respect to Paired Auctions.<sup>22</sup> The Exchange believes there is no reason to restrict a Market Maker's ability to provide liquidity into Paired Auctions when they are able to similarly provide

---

<sup>20</sup> 15 U.S.C. 78f(b).

<sup>21</sup> 15 U.S.C. 78f(b)(5).

<sup>22</sup> Phlx's trading floor does not have a similar restriction. See Phlx Options 8 Rules.

that liquidity in open outcry trading. As noted above, the electronic price improvement auction of another options exchange currently permits orders for the accounts of assigned market makers to be solicited as the contra-side orders for that auction.<sup>23</sup>

The Exchange believes the proposed rule change will promote competition in Paired Auctions, including competition to initiate Paired Auctions, which will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors. The Exchange believes the availability of this liquidity to Agency Orders will positively affect the experience for Agency Orders and overall quality of the auctions. Furthermore, the Exchange believes increasing the number of market participants available to be solicited may increase competition to provide initiating orders, which may lead to a Paired Auction being initiated at a better price. More market participants competing to provide initiating orders may lead to solicited parties providing more aggressive initial prices. The Exchange believes the ability of all market participants, including assigned Market Makers that did not submit an initiating order, to become the contra-side to a Paired Auction will continue to provide competition for executions against Agency Orders.

The Exchange believes any risk that assigned Market Makers may misuse the nonpublic information of an upcoming Paired Auction is de minimis. Supplementary Material .03 to Options 3, Section 22 provides that the exposure requirement applicable to principal transactions in Options 3, Section 22(b)<sup>24</sup> applies to the entry of orders with knowledge that there is a pre-existing unexecuted agency, proprietary, or solicited order on the Exchange. Member

---

<sup>23</sup> See supra notes 6 and 19.

<sup>24</sup> Members may not execute as principal against orders on the Limit Order book they represent as agent unless: (i) agency orders are first exposed on the Limit Order book for at least 1 second; (ii) the member organization has been bidding or offering on the Exchange for at least 1 second prior to receiving an agency order that is executable against such bid or offer or; (iii) the member organization utilizes the Facilitation Mechanism pursuant to Options 3, Section 11(b) and (c); (iv) the member organization utilizes PIXL pursuant to Options 3, Section 13; (v) the member organization utilizes Qualified Contingent Cross Orders pursuant to Options 3, Section 12(c) and (d); (vi) the member organization utilizes a Customer Cross Order pursuant to Options 3, Sections 12(a) or (b); or (vii) the member organization utilizes a Complex Order Exposure pursuant to Supplementary Material .01 to Options 3, Section 14. Member organizations may not execute as principal orders they represent as agent within the Solicitation Mechanism pursuant to Options 3, Section 11(d) and (e). See Options 3, Section 22(b).

organizations may demonstrate that orders were entered without knowledge by providing evidence that effective information barriers between the persons, business units, and/or systems entering the orders onto the Exchange were in existence at the time the orders were entered. Such information barriers must be fully documented and provided to the Exchange upon request. Further, the Exchange notes that Options 3, Section 13(e) prohibits a pattern or practice of submitting orders or quotes or the purpose of disrupting or manipulating PIXL Auctions, and General 9, Section 21 requires members to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the misuse of material, nonpublic information by members and their associated persons. Finally, Options 3, Section 22(d) (Limitations on Order Entry) provides that, prior to or after submitting an order to Phlx, a member cannot inform another member or any other third party of any of the terms of the order for purposes of violating the Rule.

The Exchange believes the proposed rule change is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers because it will permit orders for accounts of assigned Market Makers to be solicited in the same manner as orders for the accounts of all other market participants. Currently, all market participants other than assigned Market Makers may be solicited as the contra-side and submit responses in Paired Auctions for all options. Given the additional costs and obligations associated with being an assigned Market Maker, the Exchange does not believe these Market Makers should have fewer execution opportunities with respect to volume submitted for execution through Paired Auctions and not for electronic execution against interest in the book. The Exchange believes the proposed rule change will provide all Market Makers on the Exchange with the same ability to participate in Paired Auctions in all options at all times, which may further increase execution and price improvement opportunities for market participants.

Cboe does not have an auction equivalent to the Facilitation Mechanism, however the Exchange's Facilitation Mechanism is similar to Cboe's SAM. The key differences noted in the

Purpose section do not differentiate the Facilitation Mechanism for purposes of permitting orders by members in a Facilitation Mechanism to trade against the Agency Orders for the accounts of Market Makers assigned to the options class. The Exchange's aforementioned analysis applies to the Facilitation Mechanism as it applies to a SOM, PIXL or FLEX SOM or FLEX PIXL in the same manner as it applies to the Paired Auctions.

#### Options 5, Section 4

The Exchange's proposal to amend Options 5, Section 4(a) is consistent with the Act because it will bring greater clarity to the current rule text by clearly explaining that IOC Orders will not route.

#### 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 does not believe the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because it provides the same execution opportunities in Paired Auctions to assigned Market Makers that are currently available to all other market participants. Additionally, the proposed rule change will further align open outcry and Paired Auctions and the execution and price improvement opportunities available in both auctions by permitting the same participants to be solicited as a contra-side in auctions across all options.

The Exchange does not believe the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because it relates to orders submitted into Paired Auctions on the Exchange. Additionally, the Exchange notes that, in addition to Cboe, the rules of at least one other options exchange permits orders for the accounts of assigned market makers to be solicited as contra-side orders for that exchange's electronic price improvement auction.<sup>25</sup> The Exchange believes the proposed

---

<sup>25</sup> See supra note 26.

rule change may improve price competition within Paired Auctions, because the primary liquidity providers will be able to increase participation in Paired Auctions.

#### Options 5, Section 4

The Exchange's proposal to amend Options 5, Section 4(a) does not impose an undue burden on competition, rather the proposal clarifies the current rule text.

#### 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>26</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>27</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.

---

<sup>26</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>27</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.

#### 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-2026-22 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-2026-22. 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-2026-22 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>28</sup>

**Vanessa A. Countryman,**

*Secretary.*

[FR Doc. 2026-07786 Filed: 4/21/2026 8:45 am; Publication Date: 4/22/2026]