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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106406; File No. SR-Phlx-2026-56]

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt Options 10, Section 27, Influencing or Rewarding Employees of Others

September 17, 2026.

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 September 8, 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 adopt a new rule at Options 10, Section 27, Influencing or Rewarding Employees of Others, which is substantively similar to FINRA Rule 3220.

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.

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

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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 adopt a new rule at Options 10, Section 27, which is currently reserved. The new rule, "Influencing or Rewarding Employees of Others," is substantially similar to FINRA Rule 3220, Influencing or Rewarding Employees of Others. The Exchange also proposes a technical amendment at Options 10, Section 7, Supervision of Accounts.

The proposed rule is designed to protect against improprieties, such as conflicts of interest, which might arise when a member organization or an associated person gives an item of value to an employee of another person, such as an institutional customer, vendor, or counterparty. Adopting a rule substantially similar to FINRA Rule 3220 promotes consistency for member organizations that operate across multiple markets, reduces regulatory fragmentation, and enables the Exchange to enforce a uniform standard of business conduct regarding the giving of gifts and gratuities. Phlx member organizations that are also FINRA members are already subject to the amended FINRA Rule 3220, and the proposed rule would apply a substantially similar standard on the Exchange. Member organizations that are not FINRA members would be subject to the proposed rule to the extent that they conduct business on the Exchange.

Proposed Options 10, Section 27(a) provides that no member organization, Options Principal, Representative, officer, partner or branch office manager of the member organization shall, directly or indirectly, give or permit to be given anything of value, including gratuities, in excess of $300 per individual per year to any person, principal, proprietor, employee, agent or representative of another person where such payment or gratuity is in relation to the business of the employer of the recipient of the payment or gratuity. Consistent with FINRA's determination, the Exchange believes that a $300 gift limit would permit the exchange of

business courtesies while helping to guard against excessiveness, and reasonably reflects changes to purchasing power.[3] The proposed rule further provides that a gift of any kind is considered a gratuity.

Proposed Options 10, Section 27(b) provides that the Rule shall not apply to contracts of employment with or to compensation for services rendered by persons enumerated in paragraph (a), provided that there is in existence prior to the time of employment or before the services are rendered a written agreement between the member organization and the person who is to be employed to perform such services. Such agreement shall include the nature of the proposed employment, the amount of the proposed compensation, and the written consent of such person's employer or principal.

Proposed Options 10, Section 27(c) provides that a separate record of all payments or gratuities in any amount known to the member organization, the employment agreement referred to in paragraph (b), and any employment compensation paid as a result thereof shall be retained by the member organization for the period specified by Rule 17a-4 of the Exchange Act.

Proposed Options 10, Section 27(d) provides that the Exchange may, in exceptional circumstances, taking into consideration all relevant factors, exempt any member organization, either unconditionally or on specified terms and conditions, from any provision of this Rule for good cause shown, provided that such exemption is consistent with the purpose of the Rule, the protection of investors, and the public interest. This proposed provision mirrors FINRA's exemptive relief authority in Rule 3220(d).[4] Given the scope of proposed Options 10, Section 27, which would apply to gifts given to a wide range of recipients where the payment is in relation to the business of the employer of the recipient, and given the diversity of member organization sizes, structures, businesses, and distribution models, the Exchange believes it would be useful

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3 See Securities Exchange Act Release No. 104830 (February 12, 2026), 91 FR 7570 (February 18, 2026) (Order Approving File No. SR-FINRA-2025-003) ("FINRA Approval Order").

4 See id.

and appropriate to have the ability to provide relief from a particular provision of the Rule under specific factual circumstances.

Proposed Supplementary Material .01 (Gifts Incidental to Business Entertainment) would state that a gift given during the course of a business entertainment event is subject to Phlx Options 10, Section 27 unless it is consistent with the requirements of proposed Supplementary Material .04 (Personal Gifts) or .06 (De Minimis Gifts and Promotional or Commemorative Items). This provision states that gifts given during business entertainment may fall within the exclusion for de minimis or promotional items.[5] For the purpose of the $300 limit, the cost of the business entertainment event itself would not be included in the value of the gift.

Proposed Supplementary Material .02 (Valuation of Gifts) would require member organizations to value gifts (other than tickets for sporting or other events) at cost, exclusive of tax and delivery charges, and would require member organizations to value tickets for sporting or other events at a higher of cost or face value. If gifts are given to multiple recipients, member organizations must record the names of each recipient and calculate and record the value of the gift on a pro rata, per-recipient basis, for purposes of ensuring compliance with the $300 limit in Phlx Options 10, Section 27(a). Requiring member organizations to value gifts (other than tickets for sporting or other events) at cost, rather than at the higher of cost or market value, reduces complexity and subjectivity because market value can be difficult and burdensome to determine, while distinguishing tickets for sporting or other events accounts for the fact that such tickets are commonly purchased on secondary markets at costs that differ from face value.

Proposed Supplementary Material .03 (Aggregation of Gifts) would require member organizations to aggregate all gifts given by the member organization and each associated person of the member organization to a particular recipient over the course of the year for purposes of ensuring compliance with the $300 limit in Phlx Options 10, Section 27(a), and would require

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5 See FINRA Approval Order at 6.

each member organization to state in its procedures whether it is aggregating all gifts given by the member organization and its associated persons on a calendar year, fiscal year, or on a rolling basis beginning with the first gift to any particular recipient. The aggregation requirement would not apply to personal gifts under proposed Supplementary Material .04 or to gifts of de minimis value or promotional or commemorative items under proposed Supplementary Material .06, because those gifts are not subject to the gift limit in the first place. This would help ensure that persons who give multiple gifts in a year to the same recipient do not circumvent the gift limit.

Proposed Supplementary Material .04 (Personal Gifts) would state that gifts that are given for infrequent life events (e.g., a wedding gift or a congratulatory gift for the birth of a child) are not subject to the restrictions in Phlx Options 10, Section 27(a) or the recordkeeping requirements in Phlx Options 10, Section 27(c), provided the gifts are customary and reasonable, personal in nature, and not in relation to the business of the employer of the recipient. In determining whether a gift is "personal in nature and not in relation to the business of the employer of the recipient," member organizations should consider a number of factors, including the nature of any pre-existing personal or family relationship between the person giving the gift and the recipient and whether the associated person paid for the gift. When the member organization bears the cost of the gift, either directly or by reimbursing an associated person, the Exchange will presume that such gift is not personal in nature and instead is in relation to the business of the employer of the recipient.

Proposed Supplementary Material .05 would state that bereavement gifts that are customary and reasonable are not considered to be in relation to the business of the employer of the recipient and, therefore, are not subject to the restrictions in Phlx Options 10, Section 27(a) or the recordkeeping requirements in Phlx Options 10, Section 27(c).

Proposed Supplementary Material .06 (De Minimis Gifts and Promotional or Commemorative Items), at paragraph (a), would state that gifts of a de minimis value (e.g., pens, notepads, or modest desk ornaments) or promotional items of nominal value that display the

member organization's logo (e.g., umbrellas, tote bags, or shirts) are not subject to the restrictions in Phlx Options 10, Section 27(a) or the recordkeeping requirements in Phlx Options 10, Section 27(c), provided that the value of the gift or promotional item is substantially below the $300 limit. Proposed Supplementary Material .06(b) would state that customary and reasonable solely decorative items commemorating a business transaction are not subject to the restrictions in Phlx Options 10, Section 27(a) or the recordkeeping requirements in Phlx Options 10, Section 27(c). Where an item is not solely decorative, such item would remain subject to the restrictions in Phlx Options 10, Section 27.

Proposed Supplementary Material .07 (Donations Due to Federally Declared Major Disasters) would state that donations by a member organization or an associated person to any person, principal, proprietor, employee, agent or representative of another person to provide assistance to the individual for losses sustained in a natural event that the President has declared to be a major disaster, such as a wildfire, hurricane, tornado, earthquake, or flood, are not considered "in relation to the business of the employer of the recipient" for purposes of Phlx Options 10, Section 27(a) and are not subject to the restrictions in Phlx Options 10, Section 27(a) or the recordkeeping requirements of Phlx Options 10, Section 27(c). This provision recognizes that the nature of such disasters is unpredictable and catastrophic.

Proposed Supplementary Material .08 (Supervision and Recordkeeping) would state that the Exchange's supervision rules at Options 10, Section 7 require a member organization to have a supervisory system reasonably designed to achieve compliance with Phlx Options 10, Section 27. The Exchange's supervision requirements for member organizations conducting options business with the public are set forth in Phlx Options 10, Section 7 (Supervision of Accounts). To the extent applicable, member organizations would look to the applicable supervision rules of the Exchange to establish and maintain a supervisory system reasonably designed to achieve compliance with Phlx Options 10, Section 27. To meet these standards, member organizations would be required to have systems and procedures reasonably designed to ensure that payments

and gratuities in relation to the business of the employer of the recipient given by the member organization and its associated persons to employees of another person are (a) reported to the member organization; (b) reviewed for compliance with Phlx Options 10, Section 27; and (c) maintained in the member organization's records. Such procedures must be reasonably designed to ensure that an associated person who is giving a payment or gratuity is not responsible for determining whether such payment or gratuity is in relation to the business of the recipient's employer. Member organizations are not required to maintain records of gifts that are consistent with the requirements of proposed Supplementary Material .04 through .07. Requiring a person other than the associated person giving the gift to assess the nature of the gift is intended to encourage objectivity in making such determinations.

Proposed Supplementary Material .09 (Gifts to a Member Organization's Associated Persons or Individual Retail Customers) would state that Phlx Options 10, Section 27 does not apply to gifts from a member organization to its own associated persons, or to gifts from a member organization or an associated person to individual retail customers. The Exchange believes proposed Supplementary Material .09 would clarify, and improve awareness and understanding of, the scope of Phlx Options 10, Section 27.

The Exchange believes the proposed rule change would promote efficiency without reducing protection for investors and the public interest. Because the Exchange proposes to adopt a rule substantially similar to FINRA Rule 3220, Members that are also FINRA members would be subject to a substantially similar rule when conducting business on the Exchange. In addition, Members that are not FINRA members would be subject to Phlx Options 10, Section 27 to the extent that such Members conduct business with the public.

In addition, adopting Options 10, Section 27 in a form substantially similar to FINRA Rule 3220 would enable the Exchange to incorporate Options 10, Section 27 into the regulatory allocation agreement between the Exchange and FINRA pursuant to Rule 17d-2 under the Act (the "17d-2 Agreement"). The 17d-2 Agreement allocates to FINRA regulatory responsibility,

with respect to common members of the Exchange and FINRA, for the examination, investigation, and enforcement of compliance with certain federal securities laws, rules and regulations, and rules of the Exchange that the Exchange has certified as identical or substantially similar to FINRA rules.[6] Because Options 10, Section 27 is currently reserved, this rule is not within the scope of the 17d-2 Agreement. Adopting the proposed rule in a form substantively similar to FINRA Rule 3220 would enable the Exchange to incorporate Options 10, Section 27 into the 17d-2 Agreement, further reducing duplicative regulation of member organizations that are also FINRA members.

Technical Amendment

The Exchange proposes a technical amendment to Options 10, Section 7, Supervision of Accounts. The Exchange proposes to remove the following rule text, "*The deadline to submit the annual supervision-related reports pursuant to Options 10, Section 7(g) and (h) will be extended from June 30, 2020 to July 31, 2020."* This rule refers to a dated deadline.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[7] in general, and furthers the objectives of Section 6(b)(5) of the Act,[8] 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 noted above, the proposed rule is substantially similar to FINRA Rule 3220, thereby promoting uniform standards across the securities industry. The proposed rule change is designed to enable the Exchange to incorporate Options 10, Section 27 into the 17d-2 Agreement, further reducing duplicative regulation of Members that are also members of

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6 See Securities and Exchange Release No. 99260 (January 2, 2024), 89 FR 981 (January 8, 2024) (approving File No. 4-818).

7 15 U.S.C. 78f(b).

8 15 U.S.C. 78f(b)(5).

FINRA. For the avoidance of doubt, Options 10, Section 27 would equally apply to Exchange-only Member as the Exchange believes it appropriately protects against improprieties that might arise when substantial gifts or monetary payments are given to certain persons.

Adopting a rule substantially similar to FINRA Rule 3220 promotes consistency and reduces the potential for confusion for member organizations that are also FINRA members, or that are members of other Nasdaq affiliated options exchanges, and that are subject to substantially similar rules on those markets. The proposed rule is designed to focus member compliance on the types of gifts that are more likely to be associated with the improprieties and improper incentives that the Rule is designed to address, and was also designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.

Specifically, adopting a $300 gift limit is reasonable because it reflects current and anticipated economic conditions while maintaining the fundamental limitations intended to minimize potential improprieties, such as conflicts of interest, that may arise when a member organization or an associated person gives an item of value to an employee of another person, such as an institutional customer, vendor, or counterparty. Providing exemptive authority is reasonably designed to provide the Exchange with flexibility to address issues that may arise under Phlx Options 10, Section 27, taking into account specific factual circumstances and differences among member organizations. Codifying and clarifying existing FINRA guidance that provides member organizations with clear and objective methods regarding the valuation, attribution, and aggregation of gifts, as well as the treatment of personal gifts, bereavement gifts, de minimis gifts and promotional items, commemorative items, and donations associated with federally declared major disasters, should facilitate compliance and clarify regulatory expectations. Codifying the obligation to maintain a supervisory system reasonably designed to achieve compliance with Phlx Options 10, Section 27 clarifies regulatory expectations and

reasonably imposes on member organizations the obligation to oversee compliance with the Rule.

In addition, the Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act because it would harmonize Phlx's rulebook with the corresponding rules of other Nasdaq affiliated exchanges,[9] thereby reducing regulatory fragmentation, promoting consistency across the Nasdaq affiliated options exchanges, and enabling the Exchange to apply and enforce a uniform standard of business conduct with respect to gifts and gratuities.

In addition, the proposed rule change would enable the Exchange to incorporate Options 10, Section 27 into its regulatory allocation agreement with FINRA pursuant to Rule 17d-2 under the Act, thereby further reducing duplicative regulation of member organizations that are also FINRA members and facilitating FINRA's performance of its regulatory functions under that agreement.

Technical Amendment

The Exchange's proposal to remove dated rule text from Options 10, Section 7 is a non-substantive amendment that does not impact the rule implementation.

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 not intended to address competitive issues but, rather, is intended to create a rule for Phlx that is substantially similar to FINRA Rule 3220. The proposed rule change would apply uniformly to all member organizations. Member organizations that are also FINRA members are subject to the amended FINRA Rule 3220. Member organizations that are not FINRA members would be subject to Phlx Options 10, Section 27 to the extent that they conduct

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[9] See The Nasdaq Stock Market LLC, Nasdaq Texas, LLC, and Nasdaq ISE, LLC ("ISE") Options 10, Section 27. Of note, Nasdaq GEMX, LLC and Nasdaq MRX, LLC Options 10, Section 27 incorporate by reference ISE Options 10, Section 27.

business on the Exchange. Furthermore, the proposed rule change would provide harmonization between the Exchange's rules and comparable FINRA rules, resulting in less burdensome and more efficient regulatory compliance for member organizations that are also FINRA members, and facilitating FINRA's performance of its regulatory functions under the Exchange's regulatory allocation agreement with FINRA pursuant to Rule 17d-2 under the Act.

The proposed rule change would not impose any burden on intra-market competition because the Rule would apply uniformly to all member organizations. The proposed rule change would not impose any burden on inter-market competition because other national securities exchanges have adopted rules substantively similar to FINRA Rule 3220.[10]

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[11] and subparagraph (f)(6) of Rule 19b-4 thereunder.[12]

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

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10 See id.

11 15 U.S.C. 78s(b)(3)(A)(iii).

12 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.

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-2026-56 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-2026-56. 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-2026-56 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.[13]

Sherry R. Haywood,

Assistant Secretary.

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[13] 17 CFR 200.30-3(a)(12).